Foresight

FOR A SMARTER FUTURE

FORESIGHT GROUP HOLDINGS LIMITED

Investing for a **smarter future**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

OUR PURPOSE

Our purpose is to invest for a smarter future. We provide individuals and institutional investors with access to hard-to-reach private markets, using sustainable, ESG-oriented strategies at the core of our investment process.

OUR VALUES

We act **conscientiously**

We **invest responsibly**

We value **sustainable, attractive returns**

Foresight was awarded the Green Economy Mark at IPO. This recognises companies that derive 50% or more of their revenues from environmental solutions.

Front cover image
Shorthope Forest, Scottish Borders

HIGHLIGHTS

A year of strong financial and operational performance, AUM growth and our successful LSE listing in February 2021.

£7.2bn
AUM[1]
(31 March 2020: £4.5bn)

59%
AUM growth[1]

£5.1bn
FUM[1]
(31 March 2020: £3.6bn)

£0.8bn
Net organic fundraising[1]

£69.1m
Total revenue
(31 March 2020: £57.3m)

90.3%
Recurring revenues[1]
(31 March 2020: 85.4%)

£14.9m
Total comprehensive income
(31 March 2020: £56.2m[2])

£23.9m
Core EBITDA[1]
(31 March 2020: £12.6m)

1. APMs.
2. Including profit on discontinued operations.

ALTERNATIVE PERFORMANCE MEASURES

In order to assist the reader's understanding of the financial performance of the business, alternative performance measures ("APMs") have been included to ensure consistency with the IPO Prospectus and to better reflect the Group's underlying activities.

The Group believes Core (underlying) EBITDA is the main profitability comparator used within the asset management market and whilst appreciating that APMs are not considered to be a substitute for or superior to IFRS measures, the Group believes the selected use of these may provide stakeholders with additional information, which will assist in their understanding of the business.

CONTENTS

Introduction
Highlights 1
At a glance 2
Our history 4
Investment case 6
Executive Chairman's statement 8

Strategic report
Business model 12
Strategic priorities 14
Key performance indicators 16
Financial review 17
Business review 26
- Leadership 28
- Infrastructure 32
- Foresight Capital Management 42
- Private Equity 44

Sustainability 50
- Sustainable business 52
- Sustainable investor 62

Our stakeholders 70
Section 172(1) statement 73
Risks 74
Viability statement 79

Governance
Executive Chairman's introduction 80
Board of Directors 82
Corporate governance 84
Nomination Committee report 88
Audit & Risk Committee report 90
Remuneration Committee report 94
Directors' report 104

Financial statements
Auditor's report 109
Consolidated statement of comprehensive income 116
Consolidated statement of financial position 117
Consolidated statement of changes in equity 118
Consolidated cash flow statement 119
Notes to the financial statements 120
Glossary 164
Corporate information IBC

AT A GLANCE

We are a leading infrastructure and private equity investment manager.

200+
Institutional clients

19
Institutional solutions

62%
Institutional assets

28,000
Retail investors

14[1]
Retail solutions

38%
Retail assets

1. Retail funds include FSFL and JLEN which are majority held by institutional investors but also available to retail investors.

OUR OFFICES

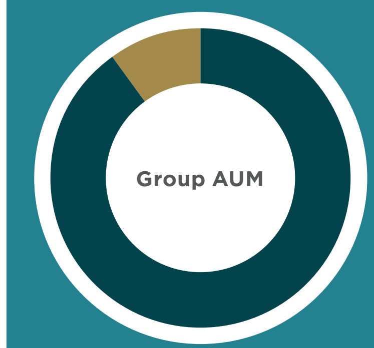
234.4
Global FTE

Foresight has 12 offices, the largest of which is in London

FORESIGHT GROUP

- A sustainable, diversified asset manager. There are two parts to the business: Infrastructure, including Foresight Capital Management (international with a focus on renewable energy) and Private Equity (UK with a focus on regional SMEs)
- Sustainability and ESG criteria are central to all investments – Foresight was among the first to prioritise ESG and sustainability (its first environmental investment and the establishment of its solar Infrastructure Team was back in 2007) and it remains at the forefront of these developing investment themes

£7.2bn
AUM
(2020: £4.5bn)



INFRASTRUCTURE

Foresight now manages over 300 infrastructure assets, including wind, solar and bioenergy, with installed capacity to generate 2.9GW of renewable energy

Read more about Infrastructure
See pages 32 to 41

Infrastructure
£6.5bn
AUM | 90%
(2020: £3.9bn)

317
Assets
(2020: 247)

Example investments

Parque Eolico El Poleo and Parque Eolico Las Panaderas
Operational Spanish wind portfolio

94MW

CNG Fuels
Portfolio of biomethane compressed natural gas ("Bio-CNG") refuelling stations for HGVs

£80m

PRIVATE EQUITY

Foresight manages more than 100 growth capital and replacement capital investments through a network of seven regional UK offices

Read more about Private Equity
See pages 44 to 49

Private Equity
£714m
AUM | 10%
(2020: £601m)

115
Investments
(2020: 101)

Example investments

iMist
Manufactures and installs water mist fire suppression systems in residential properties

£4.5m

IMMJ Systems
Electronic document management solution for the healthcare sector, serving the NHS

£3.5m

OUR HISTORY

Investing for a smarter future is what we have been doing for more than 35 years.

1984
Co-founded by Bernard Fairman and Peter English to manage a £20 million fund.

1997
Launched Foresight VCT – the first retail product.

2007
Made first environmental investment and established Infrastructure Team.

2008
Opened first international office (Rome) to focus on Southern European solar investments.

2011
Launched Foresight Inheritance Tax Solution and first environmental fund.

2012
Awarded mandate by the UK Green Investment Bank.

2013
Listed Foresight Solar Fund Ltd. on the London Stock Exchange, and launched a £40 million regional Nottingham-based private equity fund backed by the British Business Bank.

2014
Relocated UK principal office to London in the Shard.

2015
Launched £60 million North West focused Foresight Regional Investment LP and opened Manchester office.

2016
Opened office in Australia (Sydney) to focus on solar investments.

ITA UK AUS

2017
Established Foresight Capital Management which currently manages three OEICs.

2018
Appointed by the British Business Bank as equity fund manager for Midlands Engine Investment fund.

2019
Completed acquisition of the advisory mandate and management team of JLEN Environmental Assets Group.

January 2020
Launched Foresight Energy Infrastructure Partners.

April 2020
Foresight Energy Infrastructure Partners invested in 231MW Greenfield wind farm project in Sweden.

August 2020
Completed acquisition of PiP Manager Limited.

September 2020
Completed first investment into broadband network.

September 2020
Completed eight sustainable forestry acquisitions.

December 2020
Established new Alternative Investment Fund Manager in Luxembourg.

February 2021
Shares in Foresight Group Holdings Limited listed on the Main Market of the London Stock Exchange.

SWE LUX

INVESTMENT CASE

Providing attractive returns to institutions and private investors from hard-to-access markets.

We founded our business in 1984 with a view to making a positive difference to both our clients and wider society through providing access to hard-to-reach private markets.

Since then, we have expanded our scope and ambition globally.

Specialist investment capabilities in large and thematically growing, difficult-to-access markets

317
INFRASTRUCTURE ASSETS

115
PRIVATE EQUITY PORTFOLIO COMPANIES

READ MORE
See pages 32 to 41

A strong track record of ESG-focused investment that is responsive to investor demand

A+, A+, A
PRI SCORES IN 2020

READ MORE
See pages 50 to 61

Able to raise funds consistently from a diverse investor base

41.0%
THREE-YEAR AUM CAGR

£0.8bn
NET ORGANIC INCREASE IN FUM ACROSS RETAIL AND INSTITUTIONAL

READ MORE
See pages 16 to 25

An experienced specialist team delivering strong returns

33
RETAIL AND INSTITUTIONAL SOLUTIONS

115
INVESTMENT, PORTFOLIO AND TECHNICAL PROFESSIONALS

READ MORE
See pages 28 and 29

Recurring revenues and strong margins with low capital intensity

34.6%
CORE EBITDA MARGIN

90.3%
RECURRING REVENUE

READ MORE
See pages 16 to 22

EXECUTIVE CHAIRMAN'S STATEMENT

As co-founder and Executive Chairman of Foresight Group, I am delighted to present its first Annual Report as a listed company.

Bernard Fairman
Executive Chairman

Introduction

Our listing on the London Stock Exchange in February 2021 marked the latest step in Foresight's multi-decade journey and will facilitate the Company's next phase of growth as we leverage our fast-growing platform to scale our business. Our London listing not only provides capital, allowing us to explore exciting new growth opportunities, but also gives us greater visibility, helping to attract new investors to our funds. I would like to welcome the new Shareholders who joined us at the time of listing, recognising the potential of a market-leading infrastructure and private equity business which for many years has had ESG deeply embedded in its investment processes.

Our core focus remains on delivering strong, risk-adjusted returns for our institutional and retail clients while continuing to grow our Assets Under Management at a healthy, yet sustainable, rate.

Working with all our stakeholders, we will cement and develop our position as a market leader in both green energy infrastructure and regional UK private equity and will deliver on the ambitious growth plans we set out at the time of listing.

I would also like to take this opportunity to introduce our three Non-Executive Directors who bring a wealth of experience that will be invaluable to the Company as a listed entity. The non-executives on the Board now comprise Alison Hutchinson CBE as Senior Independent Director, Mike Liston OBE (also Chairman of JTC plc), and Geoffrey Gavey (also Managing Director of FNB International Trustees).

Operational and financial highlights

Despite challenges presented by the COVID-19 pandemic during the financial year to 31 March 2021, the business performed very well, with minimal impact on operational or financial performance as a result of the crisis. Both fundraising and capital deployment were strong during the year as our employees across the globe adapted quickly to home working, which was swiftly implemented.

As restrictions associated with the pandemic are gradually lifted, we very much look forward to returning to the office and working alongside colleagues, as well as resuming in-person meetings with our clients.

Foresight Group ended the period with Assets Under Management ("AUM") of £7.2 billion (31 March 2020: £4.5 billion), an increase of 59% year-on-year, and Funds Under Management ("FUM") of £5.1 billion (31 March 2020: £3.6 billion). Strong growth in assets during the year was driven by significant organic growth and the acquisition of the Pensions Infrastructure Platform ("PiP") in August 2020. Gross new fundraising for the year was strong at £1.2 billion, resulting in net new funds of £0.8 billion, taking into account a normal level of outflows across the open-ended fund range.

The PiP acquisition added £1.7 billion to the Group's AUM and, importantly, broadened our infrastructure offering to include core infrastructure assets such as healthcare facilities and transportation assets. The expertise of the PiP team supports Foresight's ambition to build an even greater presence in this key segment of the UK infrastructure market.

Introducing the Board

Bernard Fairman
Executive Chairman

Gary Fraser
Chief Financial Officer and Chief Operating Officer

Alison Hutchinson, CBE
Senior Independent Non-Executive Director

Geoffrey Gavey
Independent Non-Executive Director

Michael Liston, OBE
Independent Non-Executive Director

The Board is responsible for leading and controlling the Company and has overall authority for the management and conduct of the business of the Company. The Board is also responsible for approving strategic plans, financial statements, acquisitions and disposals, major contracts and projects.

Board of Directors
See pages 82 and 83

As part of the transaction, we also welcomed a number of leading UK institutional clients to our client base, and we look forward to working with these investors going forward. This formed an important part of the rationale for doing the deal.

Revenues for the year were in line with market expectations at £69.1 million (31 March 2020: £57.3 million) with revenue growth driven by an increase in FUM and associated management fees. Recurring revenues remain extremely high at 90.3% and continue to increase following the transition of the business away from one-off non-recurring fee events, improving the quality and predictability of our earnings. Earnings from our two major investment segments, Infrastructure and Private Equity, were also in line with market expectations, with both areas increasing contributions to earnings year-on-year.

Costs discipline remained a key area of focus for the business during the year. As can be seen from the primary statements, overall administration expenses actually decreased year-on-year. However, stripping out the impact of one-off costs, there was a marginal increase in the cost base, principally driven by an increase in staff costs, offset by savings in travel and entertainment costs as a result of the pandemic.

Core EBITDA for the year ended 31 March 2021 increased to £23.9 million (31 March 2020: £12.6 million), with Core EBITDA margin improving to 34.6% (31 March 2020: 22.1%). This improvement in margin is a result of increased operational leverage. We feel the business is now well positioned to improve these margins further in the coming years.

More detail on our financial highlights can be found in the Financial Review section of this Annual Report.

Dividend

As stated in the IPO Prospectus, the Board has adopted a progressive dividend policy. Initially, it was intended that dividends will equate to a payout of 50% of profit after tax, with this percentage expected to increase over time. As a consequence of existing fundamentals of the business and the outlook for both renewable energy infrastructure and UK regional private equity, we have decided to increase the dividend payout ratio to 60% (from a proposed 50%) with immediate effect. We expect to maintain the dividend at 60% going forwards with the intention that one-third of the total dividend payment for the year will be paid as an interim dividend and two-thirds paid by way of a final dividend.

The Board has recommended a final dividend of 1.7 pence per share (equating to 60% of the profit excluding IPO costs generated from the date of listing to period end) be paid on 24 September 2021 based on an ex-dividend date of 9 September 2021, with a record date of 10 September 2021.

EXECUTIVE CHAIRMAN'S STATEMENT CONTINUED

Sustainability

A defining attribute of our business is the prioritised active implementation of ESG-focused investment strategies. At the time of listing, this strength was recognised by the award of the London Stock Exchange Green Economy Mark.

Sustainable investing has experienced a dramatic rise in prominence in the asset management industry, driven by the increasing financial relevance of ESG factors, the availability of better ESG data and rapidly increasing regulatory pressure. In recent years, investor demand for ESG investment has increased significantly, particularly among institutional investors, and Foresight Group is well placed to benefit from this trend given its long established track record in ESG-focused investment and asset management. The strength of Foresight's ESG-focused performance was also recognised through the high scores awarded to the Group in the PRI Assessment Report 2020, when the Group attained an A+ for Strategy and Governance, an A+ for Infrastructure and an A for Private Equity.

ESG-focused investment strategies are a priority for management and ESG policies are used by all our investment teams to assess investment opportunities. Foresight has a Sustainability and ESG Committee whose influence permeates the entire business. By adopting this strategy, we aim to achieve positive social and environmental outcomes through the investments we manage, while also generating strong returns. The Group focuses on a broad range of renewable energy and infrastructure investments through Foresight Infrastructure, and local economic growth and job creation through Foresight Private Equity. We actively monitor our funds' ESG-focused investment strategies and overall performance, applying bespoke in-house methodologies to regularly monitor and evaluate progress, which is then reported in a transparent and clear manner to investors.

Outlook

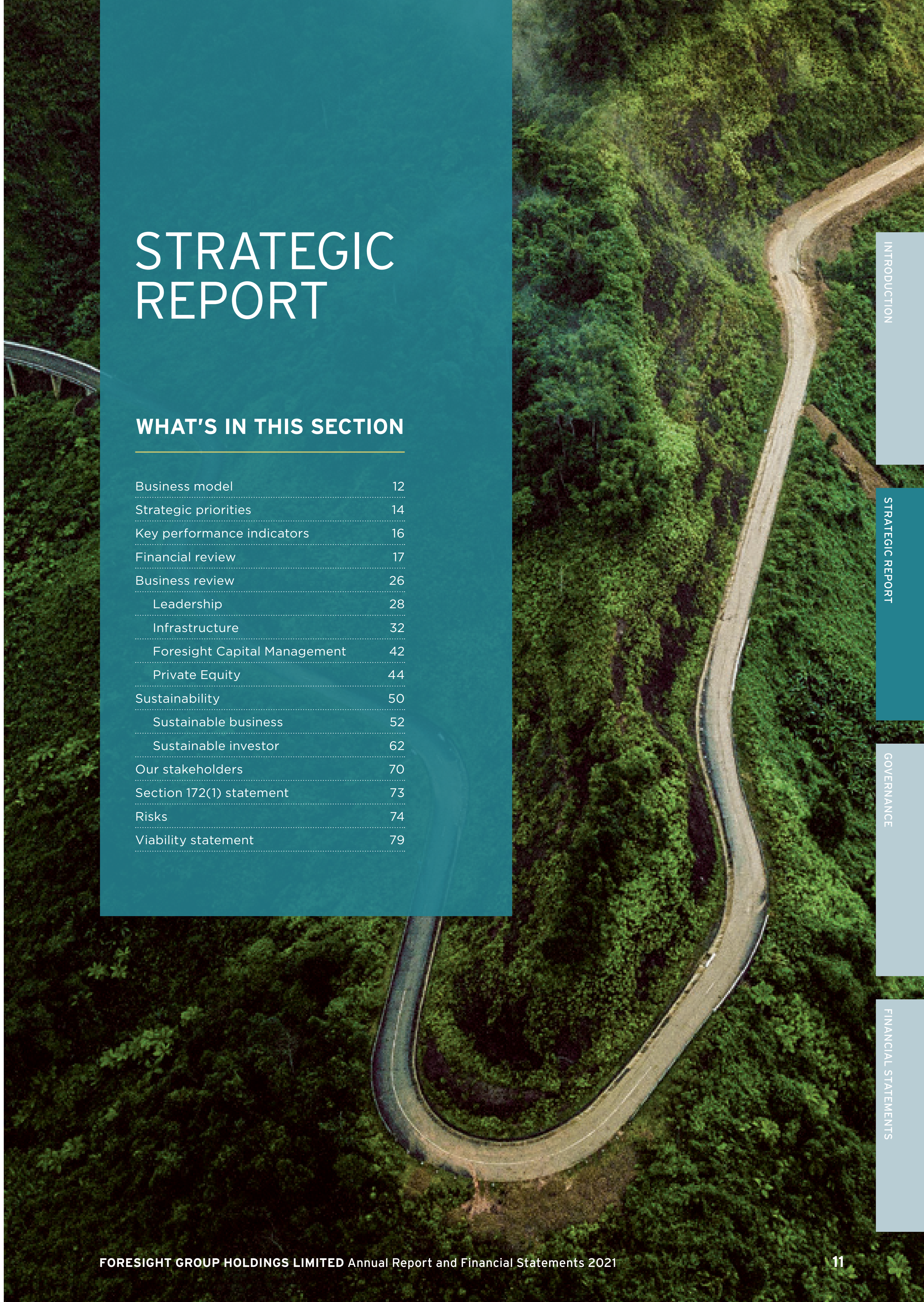
Foresight Group has an active, leading presence in both the international renewable energy infrastructure market and the UK regional private equity market. Both markets are growing rapidly, with high demand for capital and the hands-on business support we provide.

The regional private equity market is in urgent need of growth equity, particularly for over-indebted SMEs, some of which are struggling with COVID-era loans. Renewable energy infrastructure spending will require significant annual increases to achieve the carbon reduction targets set by governments around the world.

The Group has had an excellent start to the year, with net inflows of over £0.5 billion in the first quarter to 30 June 2021, ahead of our 20-25% AUM growth target set at IPO, with capital also being effectively deployed. We will continue to invest in our market-leading platform, leverage the profile we have secured as a result of our successful IPO in February and take advantage of the expected high growth in the underlying markets we serve. As a result, the Board is confident that it will meet its expectations for the year, and its ambitious medium-term targets.

Bernard Fairman
Executive Chairman

26 July 2021



STRATEGIC REPORT

WHAT'S IN THIS SECTION

Business model	12
Strategic priorities	14
Key performance indicators	16
Financial review	17
Business review	26
Leadership	28
Infrastructure	32
Foresight Capital Management	42
Private Equity	44
Sustainability	50
Sustainable business	52
Sustainable investor	62
Our stakeholders	70
Section 172(1) statement	73
Risks	74
Viability statement	79

BUSINESS MODEL

Enabling our investors to meet their financial goals while achieving positive ESG outcomes which contribute to a more sustainable world.

Our purpose drives what we do

Our purpose is to **invest for a smarter future**, providing institutional and private investors with access to hard-to-reach private markets, using sustainable, ESG-oriented strategies at the core of our investment process to enable progression towards a more sustainable world.

By promoting our sustainable values both within the Company and in the investments we seek, and with our conscientious, responsible culture, we support a range of positive financial, social and environmental outcomes.

What influences our approach

Our markets
See pages 32 to 49

Our assets
See pages 32 to 49

Our workforce
See pages 28 to 31

Our stakeholders' views
See pages 70 to 73

Our sustainability
See pages 50 to 69

Creating value

INFRASTRUCTURE

(including Foresight Capital Management)

Our established infrastructure funds provide direct access to a broad range of infrastructure classes from renewable energy to social infrastructure.

Our global investment team source, develop, operate and manage these investments sustainably on behalf of our clients.

Read more about Infrastructure
See pages 32 to 41

- Global infrastructure platform allows us to source best risk-adjusted returns across the world
- Full service model from deal origination to exit
- Sustainability considerations embedded in processes throughout investment lifecycle
- Active asset management approach seeks to optimise assets and returns
- Careful management of project cash flows provides attractive levels of income for investors

PRIVATE EQUITY

Our Private Equity Team help smaller UK companies to grow with both capital and management expertise.

Our regional network of UK offices operate within the communities in which they invest, sourcing attractive opportunities which allow investors to support an underserved yet critical segment of the UK economy.

Read more about Private Equity
See pages 44 to 49

- Foresight Private Equity aims to be the provider of choice for sub-£5 million investments
- Regional model builds strong local ties
- Efficient investment process
- Leverage network and 36-year track record of investing in UK SMEs
- Able to add significant value to investee companies

Outcomes

Infrastructure

- Attractive **risk-adjusted** investor returns
- Supporting global **decarbonisation** efforts
- **2.6m tonnes CO_2** emissions saved in FY21
- Provided **3.6TWh** of renewable energy in FY21
- **A+** PRI assessment
- **1.2m** UK homes provided with renewable energy

Private Equity

- **1,000+** jobs created
- **A** PRI assessment
- Supporting **>100** UK SMEs
- **Attractive** investor returns
- **1,800** business plans reviewed each year
- **Local** economic growth

STRATEGIC PRIORITIES

We are well positioned to scale our existing investment platform, diversify our investment offerings and attract new clients across the globe.

Grow
existing investment platform

Goal:
- Develop pipeline of institutional fund launches leveraging existing capabilities
- Increase rate of deployment by Private Equity Team

Progress:
- Interim closing of FEIP for Ð716 million (June 2021)
- Continued deployment despite COVID-19 (49 private equity investments for £71.9 million in the year)
- First close of Foresight Regional Investment III LP at £65 million (May 2021)

Next steps:
- Leveraging sustainable infrastructure expertise to develop strong new investment capabilities
- Continue to assess different areas of the market where it makes sense to expand our capabilities (for example, the forestry investment programme which started in 2020)
- Investors are increasingly prioritising ESG, where Foresight Private Equity is particularly strong
- The worldwide infrastructure marketplace is vast and there are opportunities for growth in the UK and international markets

Diversify
and develop new investment strategies

Goal:
- Diversify and deepen renewables asset management footprint
- Increase contribution to green economy

Progress:
- Acquisition of Pensions Infrastructure Platform added £1.7 billion in AUM
- 16 forestry acquisitions
- Launch of third Open Ended Investment Company (“OEIC”) (Sustainable Real Estate Fund)
- Closed first fibre broadband deal

Next steps:
- Mobilising significant amounts of capital, predominantly in the UK and Europe
- In the near-to-medium term, these opportunities are expected to include sustainable forestry, regional fibre broadband roll-outs, low carbon transport, including biomethane compressed natural gas, district heating network projects and agricultural strategies

Expand
investor base

Goal:
- Expand investment strategies geographically

Progress:
- Investing in nine countries
- Opened offices in Edinburgh and Cambridge
- Opened office in Luxembourg and staff presence now in Germany and Sweden

Next steps:
- Foresight Group intends to expand its investor reach through measures such as:
  - Utilising the Luxembourg AIFM authorisation to deepen Foresight Group’s EU and Nordic footprint
  - Launching innovative new products to attract retail funds
  - Exploring the potential to partner with large pension funds, family offices and Ultra-High-Net-Worth investors in North America

KEY PERFORMANCE INDICATORS

Tracking our strategic progress

The following KPIs are alternative performance measures:

Assets Under Management ("AUM") – Recurring revenue – Core EBITDA

AUM

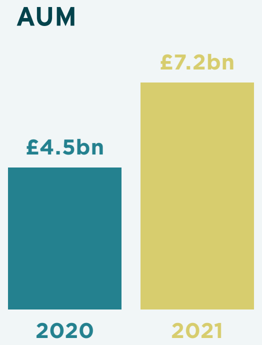
£7.2bn

(31 March 2020: £4.5bn)

£2.7bn increase year-on-year

(59% increase)

- Embedded tax business with high barriers to entry expected to continue to grow
- OEIC market is substantial and the key driver of retail business going forward with room to expand distribution
- As institutional funds mature, opportunity for roll-over of existing investors, along with new investors
- Potential for further acquisitions



Strategic alignment Grow Diversify Expand

Revenue

£69.1m

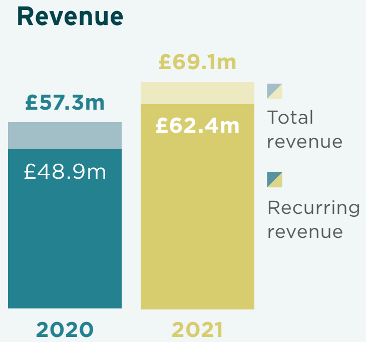
(31 March 2020: £57.3m)

Recurring revenue

90.3%

(31 March 2020: 85.4%)

- Successful transition of the revenue model to generate steady state recurring revenues of c.90% of total revenues
- Strong deployment pipeline over the next 12 months to drive revenue growth



Strategic alignment Grow Diversify Expand

Core EBITDA

£23.9m

(34.6%)

(31 March 2020: £12.6m (22.1%))

- With key components of growth already in place, Foresight is ready to scale rapidly
- Incremental AUM and revenue growth does not require a proportionate growth in costs
- Positive development in EBITDA margin expected due to recent strategic cost optimisation initiatives

Strategic alignment Grow Diversify Expand

FINANCIAL REVIEW

FOR THE YEAR ENDED 31 MARCH 2021

The financial year saw strong growth in AUM for the business and significant improvement in operating margins.

Gary Fraser
Chief Financial Officer

Culminating with the IPO in February, this year has been transformative for Foresight. Despite the challenges of the COVID-19 pandemic, the business performed resiliently, with AUM, revenue and Core EBITDA all growing year-on-year.

KPIs

	31 March 2021	31 March 2020
Year-end AUM (£m)	**7,193**	4,519
Year-end FUM (£m)	**5,132**	3,638
Average AUM (£m)	**6,547**	4,063
Average FUM (£m)	**4,691**	3,166
Total revenue (£000)	**69,098**	57,253
Recurring revenue (£000)	**62,379**	48,883
Recurring revenue/total revenue (%)	**90.3%**	85.4%
Core EBITDA (£000)	**23,910**	12,649
Core EBITDA margin (%)	**34.6%**	22.1%

The Group feels that Core (underlying) EBITDA is the main profitability comparator used within the asset management market. Whilst the Group appreciates that APMs are not considered to be a substitute for or superior to IFRS measures, we believe the selected use of these provides stakeholders with additional information which will assist in the understanding of the business.

IPO

The primary reasons for the IPO were to enhance the Group's profile, thus strengthening the fundraising performance of the Group; provide additional capital for further acquisitions; enable existing Shareholders to realise part of their investment; and enable employees to share in the future success of the Group.

As a result of the IPO, 108,333,333 shares were listed on the Main Market of the London Stock Exchange, of which 8,333,333 were new shares generating gross proceeds of £35 million.

Further details about the share capital and wider Group reorganisation can be found in the IPO Prospectus.

IPO continued

During the IPO process we highlighted four areas of focus:

(1) AUM/FUM growth

(2) Emphasis on recurring revenues

(3) Medium-term Core EBITDA margin under IFRS of 43%

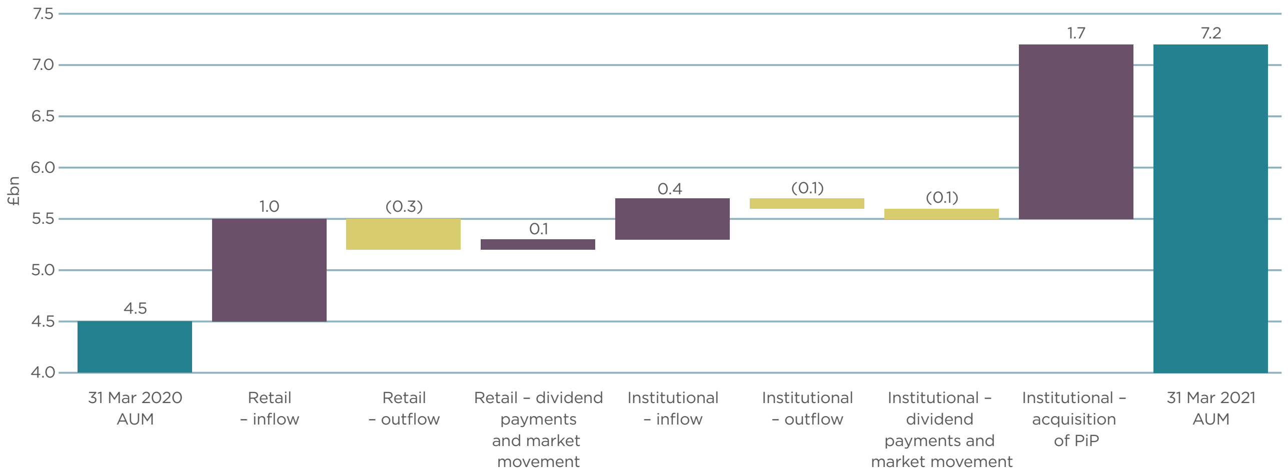
(4) A progressive dividend policy

Each of these areas are covered in my report in turn.

Assets Under Management ("AUM")

AUM grew significantly year-on-year, from £4.5 billion at the start of the year to £7.2 billion as at 31 March 2021. This was partly due to the acquisition of the Pensions Infrastructure Platform ("PiP") in August 2020, which added £1.7 billion to the overall figure, but there was also strong organic growth, particularly from our OEIC products, where a combination of net inflows and NAV growth saw their FUM grow from £0.6 billion to £1.1 billion over the year.

AUM bridge



Key: Retail includes OEICs and tax-advantaged products.

Net inflows

Our Retail Sales Team (distributing our VCT, EIS, BR and OEIC products) had its second most successful year ever for fundraising, with total net inflows of £0.6 billion. This was a considerable achievement given the wider economic environment, demonstrating strong investor appetite for our products.

Turning to the Institutional funds, in addition to the PiP acquisition, we completed a further close on our Foresight Energy Infrastructure Partners ("FEIP") fund of Đ89 million, together with Đ170 million of co-investment from new investors on the Skaftåsen project, a Swedish greenfield wind farm within that fund.

Post year end we have already announced a further interim close on our FEIP fund of c.Đ285 million of new commitments, taking that fund to Đ716 million, with a total capital pool of Đ886 million once the co-investments are included. On the Private Equity side, post year end we also announced the first close of our Foresight Regional Investment Fund III at £65 million, further strengthening Foresight's regional Private Equity strategy of addressing the gap for impact-focused equity investments in growing SMEs.

£7.2bn
AUM
(31 March 2020: £4.5bn)

90.3%
Recurring revenues
(31 March 2020: 85.4%)

34.6%
Core EBITDA margin
(31 March 2020: 22.1%)

Summary Statement of Comprehensive Income

	31 March 2021 £000	31 March 2020 £000
Revenue	**69,098**	57,253
Cost of sales	**(4,639)**	(4,389)
Gross profit	**64,459**	52,864
Expenses[1]	**(40,767)**	(40,238)
Share of post-tax profits of equity accounted joint venture	**26**	235
Fair value movements	**192**	(147)
Performance fee	**—**	(65)
Core EBITDA[2]	**23,910**	12,649
Non-operational staff costs	**(3,186)**	(1,124)
Non-operational legal costs	**(2,744)**	(1,870)
Other operating income	**394**	795
Performance fees	**—**	65
Financing costs	**(707)**	(694)
Depreciation and amortisation	**(2,305)**	(7,801)
Tax	**(481)**	(53)
Profit on discontinued operations, net of tax	**—**	54,275
Total comprehensive income	**14,881**	56,242

1. Includes foreign exchange on translation of overseas subsidiaries included in other comprehensive income.
2. The Group uses Core EBITDA to assess the financial performance of the business. This measure is a non-IFRS measure because it excludes amounts that are included in the most directly comparable measure calculated and presented in accordance with IFRS. The specific items excluded from Core EBITDA are non-underlying items, which are defined as non-trading or one-off items where the quantum, nature or volatility of such items are considered by the Directors to otherwise distort the underlying performance of the Group.

Segmental Core EBITDA is set out below:

	31 March 2021 £000	31 March 2020 £000
Infrastructure	**17,202**	6,917
Private Equity	**6,708**	5,732
	23,910	12,649

FINANCIAL REVIEW CONTINUED
FOR THE YEAR ENDED 31 MARCH 2021

Summary Statement of Comprehensive Income continued
Revenue

	31 March 2021 £000	31 March 2020 £000
Management fees	50,245	35,550
Secretarial fees	9,828	11,485
Directors' fees	2,306	1,848
Marketing fees	2,841	4,307
Arrangement fees	3,858	3,998
Other fees	20	65
Total	69,098	57,253

Total revenue increased by 21% year-on-year to £69.1 million (2020: £57.3 million) with recurring revenue increasing by 28% to £62.4 million (2020: £48.9 million). In recent years the Group has focused on moving away from one-off transaction-related fees to a more recurring revenue model. This has continued in the current year, with recurring revenues increasing to over 90%.

As a result of AUM growth, the largest increase year-on-year came from management fees. The annualised impact of the JLEN acquisition in July 2019, plus the PiP acquisition in August 2020, contributed c.£3.1 million to the increase. In addition, there was the impact of a full year of revenue from FEIP (c.£1.2 million), while the growth in the OEICs contributed to an increase of £3.1 million. The largest movement in management fees related to our ITS fund where achievement of the performance hurdle saw an increase in management fees of c.£7.2 million year-on-year. The fee was restructured towards the end of the financial year, removing the dependence of the management fee on a performance hurdle (with the overall percentage fee being reduced).

Marketing fees are initial fees recognised as a percentage of funds raised on the tax-based retail products. The reduction year-on-year reflected challenges faced as a result of the COVID-19 pandemic. More than 95% of investment into our tax-based retail products is through intermediaries, principally following face-to-face meetings with their clients. As a result of the pandemic, our Retail Sales Team was not able to conduct such face-to-face meetings, impacting this revenue stream. However, once lockdown restrictions were lifted, we experienced a significant increase in activity in this area with net retail inflows in the final quarter of the year being approximately double those experienced in the second and third quarters.

Cost of sales

Cost of sales comprise insurance costs associated with our Accelerated ITS ("AITS") product and authorised corporate director costs payable to a third party in relation to our OEIC products. The increase year-on-year reflects growth in our OEIC products and was offset slightly by lower AITS insurance costs as a result of the lower marketing fees referred to above.

Expenses

	31 March 2021 £000	31 March 2020 £000
Staff costs	30,564	28,309
Administration costs	4,715	3,814
Legal and professional	3,297	3,584
Office costs	1,936	1,751
Travel	20	1,035
Entertaining	81	493
Bad debt	112	1,198
Foreign exchange[1]	42	55
Other	—	(1)
Total	40,767	40,238

1. Includes foreign exchange on translation of overseas subsidiaries included in other comprehensive income.

Year-on-year, the overall cost base increased only marginally, reflecting investment made in the back office functions over recent years, which will allow margins to improve as the business scales up going forward. There were also cost savings relating to the current pandemic (e.g. lower travel and entertaining expenditure), and in addition, FY20 included some large one-off bad debt write-offs.

The increase in administration costs principally related to an increased irrecoverable VAT charge. As with most financial services businesses, we are not able to recover all the VAT on our purchases because some of our revenue streams are VAT exempt. The increase in our OEIC business over recent years has led to this becoming a larger expense due to those management fees being VAT exempt.

The largest element of our cost base is our staff costs. These increased by 8% year-on-year to £30.6 million (2020: £28.3 million), partly due to the annualised impact of hires part way through FY20 crystallising a full-year charge in FY21 (e.g. the 14 staff from JLEN who started with us in July 2019), plus the impact of the annual pay review process and enhancement of the staff benefits package (e.g. increased employer pension contributions). Staff numbers year-on-year stayed broadly level, with 234.4 FTE at 31 March 2021, an increase of only 0.4 on the prior year end, despite the significant growth of the business.

FINANCIAL REVIEW CONTINUED

FOR THE YEAR ENDED 31 MARCH 2021

Summary Statement of Comprehensive Income continued

Core EBITDA

The Group uses Core EBITDA as one of its key metrics to measure performance because it views this as the closest profitability number comparable to the Group's recurring revenue model (i.e. a cash profit number after stripping out any one-offs, both positive and negative).

Core EBITDA increased by 89% to £23.9 million for the year ended 31 March 2021 (2020: £12.6 million). Core EBITDA margin improved to 34.6% (2020: 22.1%) reflecting the increased operational leverage seen across the business as a result of focusing on fewer larger-sized transactions and optimisation of our back office and support functions. The cost base is readily scalable and the low capital intensity of our business model and investment platform should result in further margin improvements.

The Group has concluded that the following are non-underlying items for the purposes of calculating Core EBITDA:

- **Non-operational staff costs**
  - Distributions made to members classified as remuneration expenses under IFRS have been added back as these are considered to be equity transactions for the purposes of calculating Core EBITDA. These expenses were related to distribution of the Group profit pre-IPO. They were also variable as they were dependent on Group profit and also the timing of when the distributions were made

These payments were larger in FY21 as they related to pre-IPO profit share for FY21, plus an element of the profit share still owed from FY20.

- **Non-operational legal costs**
  - Costs related to one-off transactions (e.g. professional fees and other costs incurred in preparing the Group for IPO) and therefore not considered to be related to the Group's ongoing business operations
  - Redundancy costs relating to a planned restructuring of the business, principally relating to a review and subsequent optimisation of our back office functions

The FY21 figure relates to £2.3 million of IPO costs, £0.2 million of redundancy costs and £0.2 million of legal transaction costs. The FY20 figure relates to an element of IPO preparation costs, but also a non-contractual payment of £1.3 million to Foresight's ITS product as a goodwill gesture to reimburse it for losses incurred on an investment.

- **Other operating income**
  - One-off operating income which is not expected to recur

In FY21, £46k related to grant income from the Coronavirus Job Retention Scheme, with the remainder relating to development fees arising from the development of a reserve power plant in Shirebrook, Derbyshire on behalf of the Foresight ITS product.

In FY20, all other operating income arose from Shirebrook development fees.

- **Performance fees**
  - One-off fees considered to be non-recurring and non-core

Some small one-off performance fees were recognised in FY20 in relation to the successful exits of four investments from a fund set up by a previous appointed representative of the Group.

Depreciation and amortisation

The variance against the prior year largely relates to the write-off of the intangible asset recognised upon the acquisition of JLEN in August 2019.

Tax

Historically, the taxation on profits earned by the Group was generally the personal liability of the members of Foresight Group LLP, where the majority of the Group's profits are generated. Following the IPO, more of the Group's profits will be subject to corporation tax, as demonstrated by the charge recognised in FY21.

Profit on discontinued operations, net of tax

During FY20, the Group disposed of one of its non-core business activities (Foresight Metering Management Limited, a smart metering business) for a significant profit.

Summary Statement of Financial Position

	31 March 2021 £000	31 March 2020 £000
Assets		
Property, plant and equipment	**3,012**	3,905
Right-of-use assets	**9,120**	10,346
Intangible assets	**3,012**	272
Investments	**2,326**	1,468
Deferred tax asset	**977**	20
Trade and other receivables	**20,718**	15,834
Cash and cash equivalents	**39,431**	13,002
Net assets of disposal group classified as held for sale	**64**	882
Total assets	**78,660**	45,729
Liabilities		
Trade and other payables	**(20,939)**	(16,398)
Loans and borrowings	**(4,324)**	–
Lease liabilities	**(12,019)**	(13,498)
Deferred tax liability	**(1,581)**	–
Total liabilities	**(38,863)**	(29,896)
Net assets	**39,797**	15,833

Property, plant and equipment

Reflect the fixtures and fittings across our offices. The movement in the year reflects the depreciation charge and disposal of a property in Sevenoaks.

Right-of-use assets

Relate to the IFRS 16 accounting treatment for our office leases. The movement in the year reflects the depreciation charge, offset by an increase in the asset in relation to our new office in Madrid.

Intangible assets

Comprises capitalised software development costs and other intangibles recognised in relation to the management contract acquired as part of the PiP acquisition in August 2020.

FINANCIAL REVIEW CONTINUED

FOR THE YEAR ENDED 31 MARCH 2021

Summary Statement of Financial Position continued

Investments

Contains the Group's co-investment positions across our LP funds, plus investments in joint ventures. The movement in the year has been driven by deployment across our LP funds and is broken down as follows:

	31 March 2021 £000	31 March 2020 £000
Investment in securities		
Foresight Energy Infrastructure Partners	**423**	94
Italian Green Bond Fund	**355**	123
Foresight Regional Investment Fund	**344**	347
Foresight VCT portfolio companies	**296**	182
Foresight Nottingham Fund	**264**	228
Midlands Engine Investment Fund	**223**	143
Foresight Regional Investment Fund II	**76**	25
Northern Ireland Opportunities Fund	**23**	14
Foresight Environmental Fund	**13**	29
Other	**58**	48
Investment in joint ventures		
FV Solar Lab JV	**251**	235
Total investments	**2,326**	1,468

Deferred tax asset

Following a review of the available losses in our Australian business and the projected business plan going forward, a deferred tax asset has been recognised in FY21.

Trade and other receivables

The increase year-on-year is due to the timing of cash receipts and principally driven by the management fee from the ITS fund which was owed at year end (in FY20, no management fee was recognised, as previously noted).

Cash and cash equivalents

The year-end balance was bolstered by the primary funds raised from the IPO, in addition to positive cash generation from a strong trading performance.

Trade and other payables

The increase year-on-year is principally driven by an increase in the capital contributions from members of Foresight Group LLP following the IPO; an increase to the staff bonus accrual; and an increased VAT creditor as a result of a repayment plan agreed with HMRC as part of the support offered during the COVID-19 pandemic.

Loans and borrowings

The increase year-on-year is a result of the founder loans taken on as part of the consideration for the PiP acquisition in August 2020.

Lease liabilities

This relates to the liabilities arising from IFRS 16 Lease accounting. The year-on-year decrease is as a result of lease repayments offset by an increase in liability in relation to our new office in Madrid.

Deferred tax liability

A new deferred tax liability has been recognised in the year. This is in relation to the intangible asset recognised on the PiP acquisition, plus the corporation tax payable in the future as a result of the restructuring of the Group as part of the IPO.

Dividends

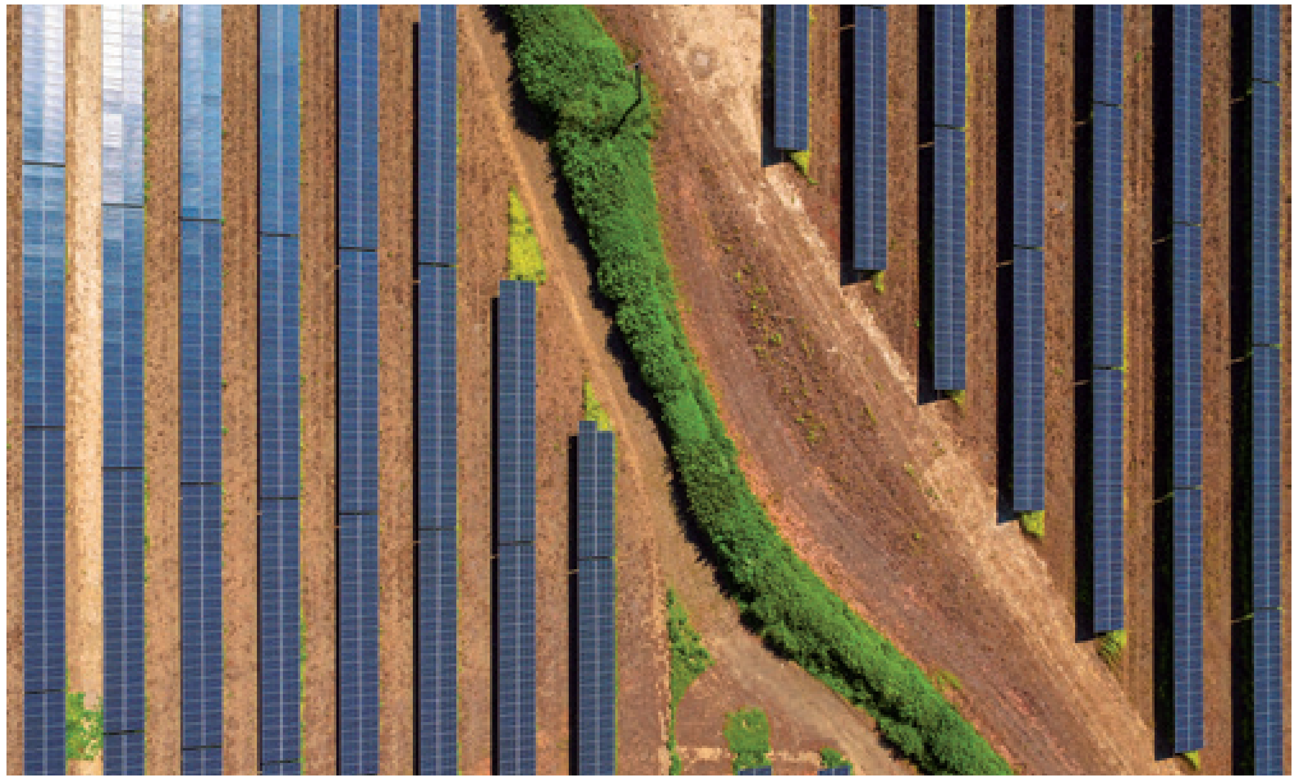
During the IPO process, we stated the intent to target a progressive dividend policy, increasing from 50% to 60%. However as noted in the Executive Chairman's statement on page 9, the Board has decided to increase the dividend payout ratio to 60% with immediate effect. The Board has recommended a final dividend payment of 1.7 pence per share. If approved by Shareholders, the dividend will be paid on 24 September 2021 based on an ex-dividend date of 9 September 2021, with a record date of 10 September 2021.

Going concern

The financial statements have been prepared on a going concern basis. In adopting this basis, the Directors have reviewed the financial processes and controls embedded across the business and examined the three-year plan. They have considered the business activities as set out on pages 33 to 49, and the principal risks and uncertainties disclosed within this report on pages 76 to 78, and concluded that the adoption of a going concern basis, covering a period of at least 12 months from the date of this report, is appropriate.

Gary Fraser
Chief Financial Officer

26 July 2021



BUSINESS REVIEW

WHAT'S IN THIS SECTION

LEADERSHIP 28

INFRASTRUCTURE 32

FORESIGHT CAPITAL MANAGEMENT 42

PRIVATE EQUITY 44

BUSINESS REVIEW

At Foresight, we are well aware of the need to live up to our name.

Infrastructure

As one of Europe's most established renewable energy and infrastructure investors, Foresight is well positioned to benefit from the accelerating global stimulus to the renewable energy and infrastructure markets and the huge boost it will provide to green energy investment.

Our multinational and multi-disciplinary award-winning team is guided by a strong sustainability ethos, specialising in fundraising, deal origination, execution, and ongoing asset management and technical support for a wide range of projects across a wide variety of infrastructure sectors. Complementing our private market infrastructure activities, since 2017 Foresight Capital Management has grown to manage assets of £1.1 billion in listed infrastructure, renewables and real estate investment opportunities.

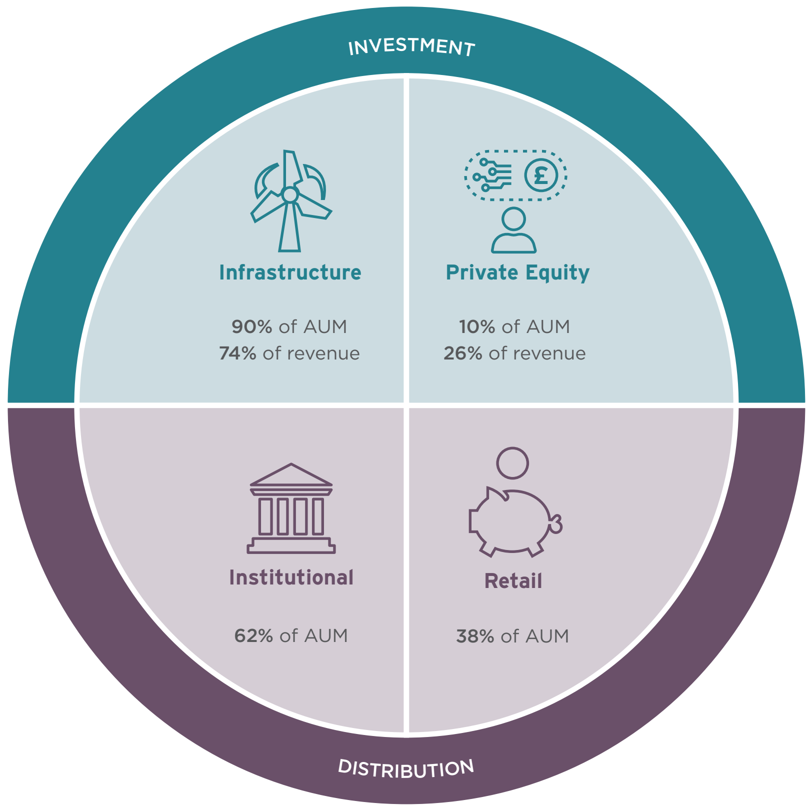
Private Equity

Since Foresight was founded as technology investor in the 1980s, private equity has remained a central component of the firm's activities. Today, the Private Equity Team pursues four investment strategies: growth, venture, impact and replacement capital, for institutions and for private investors.

Foresight Private Equity works with management teams with a view to enhancing and building long-term value and ultimately realising investments successfully. More than three decades' experience of managing UK SMEs through economic cycles makes Foresight one of very few companies with the network and expertise to help drive the recapitalisation of the UK regional SME sector.

Foresight Group has an integrated business model whereby knowledge and experience are shared by the investment teams at each stage of the lifecycle of an investment project, from product development and fundraising to capital deployment and portfolio management.

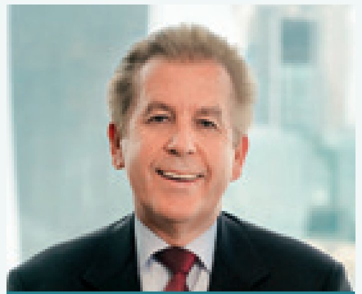
Responsible investing, whether applied to Infrastructure or Private Equity, has always been at the core of Foresight's strategy and we are well placed to continue to satisfy the strong investor demand for ESG investment strategies.



LEADERSHIP

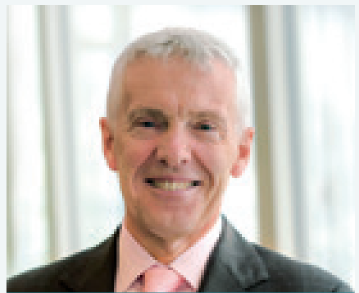
Foresight has a highly experienced team of 234.4 FTE employees…

EXECUTIVE LEADERSHIP TEAM



Bernard Fairman
Executive Chairman

Gary Fraser
Chief Financial Officer and Chief Operating Officer



David Hughes
Chief Investment Officer

INFRASTRUCTURE PARTNERS

Nigel Aitchison
Head of Infrastructure

Dan Wells
Partner

Federico Giannandrea
Partner

Richard Thompson
Partner

Chris Holmes
Partner

Ricardo Piñeiro
Partner

Matt Hammond
Partner

Carly Magee
Partner

Chris Tanner
Partner

Diomidis Dorkofikis
Partner

Foresight announced the appointment of four new Partners in June 2021: Claire Alvarez in Private Equity, Stephen Thayer in Group Finance, and Mark Brennan and Nick Scullion in Foresight Capital Management.

…including 115 investment, portfolio and technical professionals as at 31 March 2021.

PRIVATE EQUITY PARTNERS

Russell Healey
Head of Private Equity

Matt Smith
Partner

James Livingston
Partner

Peter English
Partner
(retired post period end)

RETAIL SALES LEADERSHIP TEAM

Mike Currie
Partner

Nick Morgan
Partner

Hugi Clarke
Partner

85%
Response rate to staff engagement survey

35%
Female employees

71%
Eligible employees enrolled in Share Incentive Plan

Find out more about our people
www.foresightgroup.eu/about-us/our-people/

LEADERSHIP CONTINUED

Our leadership team and workforce culture support delivery of our strategy.

OUR PURPOSE

Our purpose is to invest for a smarter future, providing institutional and private investors with access to hard-to-reach private markets, using sustainable, ESG-orientated strategies at the core of our investment process. Our clear purpose has enabled our strategy to be clearly defined and has aligned everyone at Foresight in working towards achieving our goals.

OUR CULTURE

Foresight is made up of bright, entrepreneurial, dynamic individuals. Without the strong sector specialists, innovative and enquiring minds and determined dealmakers, Foresight Group would not be where it is today.

Our workforce is made up of a diverse group of individuals and we are working hard as a business to understand what it truly means to provide an inclusive workspace for all of our people.

Our goal is to create an environment within which everyone has the opportunity to thrive and succeed.

OUR VALUES

We act **conscientiously**

We **invest responsibly**

We value **sustainable, attractive returns**

Communicating with our people

With the understanding that our people are our greatest asset, we strive to ensure there is exceptional communication with our employees. We do this through several mechanisms:

People strategy meetings

The HR team realise the importance of feedback and the flow of communications across the business. Each month our Head of People meets with each Head of Department to ensure any people points are picked up. This has proved an invaluable tool, ensuring our people are at the forefront of what we do.

All-Company meetings

Regular all-Company meetings are held to ensure the whole Company is kept up to date with news from around the business, and any key messages can be communicated. It also allows us to welcome and introduce each of our new starters.

Members of the Executive Committee also host Town Hall meetings for each of the different grades across the business.

Annual engagement survey

Our staff engagement survey is held each year, providing suggestions and insight into the thoughts and feelings of our people. The 2021 survey had a response rate of 84%, with an overall mean score of 4.01 out of 5. The feedback is closely analysed and each year we learn and grow as a Company.

Staff engagement can also be measured through participation in our Share Incentive Plan ("SIP"). Uptake from eligible staff was 71%, compared to an average participation of c.42% in our sector (as reported in the annual ProShare survey).

"The people are by far the best asset Foresight has and we look to invest in, develop and grow everyone in the business. We invest in leadership, and from the top down, everyone's open and friendly."

Suzie Ruffley, Director, Head of People

"It's an entrepreneurial place to work where we feel respected."

Mark Brennan, Director

"Foresight is a great place to work with an excellent working ethic and opportunity for professional growth."

Cristina Salas, Company Secretarial Associate

Executive coaching

An independent Executive Coach supports members of our Executive Committee and other leaders to ensure we are dedicating time to focus on our performance as people managers. The Executive Coach meets with the managers, colleagues and direct reports of those receiving coaching to ensure 360 degree feedback is built into the coaching sessions.

COVID-19

During the pandemic, our main focus has been ensuring the wellbeing of our people. As such, frequent pulse surveys have been sent out to make sure we have an understanding across the business of how our people are feeling.

From the top down, levels of communication have been increased and a real emphasis put on managers increasing interactions with their direct reports to ensure their wellbeing. We have introduced "Coffee Roulette" sessions to create time for people from all areas of the Company to meet with a member of the Executive Committee. As a business we have held all-Company social events and by department we have had a range of events from quizzes to a live magician.

Our Head of People and Executive Coach created a series of six podcasts on wellbeing theory and tips to stay well. These were shared with the staff and externally and received over 700 downloads.

With lockdown easing, it was important to recognise our people might feel uncomfortable about the prospect of a "new normal". As part of Mental Health Awareness Week 2021, we recorded a webcast to open up discussion around this topic. It was shared with our employees and viewed on our LinkedIn page over 1,900 times.

Healthy body, healthy mind

When in the office, our employees in all locations have access to fresh fruit to encourage healthy snacking. In the London office, there is onsite yoga once a week, with the option to join remotely via Zoom from other office locations or home.

INFRASTRUCTURE

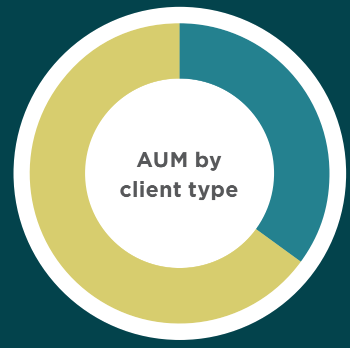
AT A GLANCE

Infrastructure investor of choice

317
ASSETS MANAGED

2.9GW
GENERATING CAPACITY

- Renewable energy 49%
- Social and core infrastructure 26%
- OEICs 17%
- Uncommitted 6%
- Low carbon and energy efficiency 1%
- Forestry 1%



- Retail 35%
- Institutional 65%

Team of 37 investment professionals, with broad infrastructure experience

In-house asset management team of 48 experts who provide full lifecycle support from investment to exit

Our global infrastructure footprint

INFRASTRUCTURE

MARKET OPPORTUNITY

Foresight Infrastructure originates investment opportunities and manages assets in the renewable energy and energy transition markets as well as the social and core infrastructure sectors. Its investment strategies primarily focus on investment in solar and onshore wind assets, bioenergy and waste, as well as renewable energy enabling projects (such as flexible generation and battery storage), energy efficiency management solutions, social infrastructure projects and sustainable forestry assets.

- Strong global decarbonisation and green recovery agenda
- Sustainability-led investment increasing across key markets
- Investors increasingly attracted to predictable yields offered by sustainable infrastructure investments
- By 2050, wind and solar technology are expected to account for c.48% of global electricity generation
- Hydro, nuclear and other renewables are expected to provide a further 21%
- Solar is expected to grow from c.3% of world electricity generation today to an estimated 22% by 2050

£595m
DEPLOYED DURING FY21

46
TRANSACTIONS DURING FY21

Foresight Infrastructure has a strong origination and execution capability, an active approach to asset management and an established track record of managing retail and institutional capital. Foresight's Infrastructure Team has extensive experience of deploying capital into a variety of renewable energy and infrastructure projects and throughout their development, construction and operational phases.

As at 31 March 2021, Foresight Infrastructure had AUM of £6.5 billion (including Foresight Capital Management open-ended funds) and a team of 85 investment, portfolio and technical professionals facilitating the acquisition of and managing 317 infrastructure assets across 16 asset classes with a total renewable energy generating capacity of 2.9GW.

Foresight Infrastructure typically targets investment in assets of between £5 million and £200 million per transaction, but will consider smaller or larger investments as appropriate. For example, FEIP invested in a greenfield wind farm project (Skaftåsen) in Sweden with a value of Đ215 million, which is Foresight's largest transaction to date.

Foresight Infrastructure manages £1.6 billion in solar assets in the UK, Portugal, Spain, Italy and Australia, with 1.6GW of installed capacity as well as wind assets with a 797MW generation capacity across the UK, Sweden, Germany, France and Spain as at 31 March 2021. Foresight Infrastructure provides a complete end-to-end solution for investors, from investment origination and execution, including sourcing and structuring all elements of the capital structure required, to the ongoing and active technical asset management of operating assets, including performance and financial optimisation of an asset immediately upon its acquisition. This process is driven by an in-house team which is focused on the relevant O&M contractor's performance, operational performance, cost management and asset life enhancement with the objective of generating sustainable long-term asset operation and economic benefits. The Group believes Foresight Infrastructure is well positioned to capitalise on investment opportunities which are driven by a shift towards decentralisation and decarbonisation in the power markets as well as wider opportunities in the core and social infrastructure sectors.

BUSINESS REVIEW CONTINUED

SKAFTÅSEN

Offshore wind farm

In April 2020 Foresight announced the closing of a co-investment by Foresight Energy Infrastructure Partners ("FEIP") alongside a syndicate of four institutions to finance the greenfield 231MW Skaftåsen onshore wind project in Sweden.

The project, which Foresight acquired from Arise AB in December 2019, was FEIP's first investment and represents the largest wind farm in Foresight's expanding portfolio. The co-investors have each entered into advisory agreements with Foresight in relation to their investments.

Located in Härjedalen municipality in Central Sweden, construction at the Skaftåsen site is progressing well, on schedule and on budget. The wind farm will be the first in the world to feature the most powerful onshore wind turbines developed to date – the Siemens Gamesa 5x platform utilising 35 SG 5.8-155 turbines with flexible power rating and operating at 6.6MW.

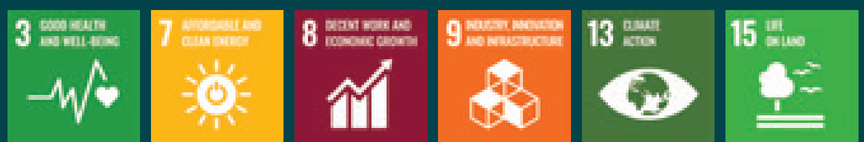
The 231MW project has been assessed favourably against Foresight's stringent sustainability requirements and has been independently verified as complying with the EU Green Taxonomy. It is estimated that the project will generate power equivalent to saving 425,000 tonnes of CO_2 emissions per annum when compared to coal-powered electricity generation. The project will also contribute 1% of revenues to the local community during operations.

797MW

OF WIND GENERATION ACROSS THE UK, FRANCE, GERMANY AND SWEDEN

231MW

PROJECT GENERATION CAPACITY



Capital deployment and fundraising

Foresight's Infrastructure Team completed 46 transactions in the year to 31 March 2021, committing £595 million of capital. Investments were made across a wide range of our funds, and across multiple sectors and geographies.

Fundraising was strong over the year, with additional fundraises across a number of our existing funds. We received additional commitments of £1.1 billion during the period. There were no notable account losses or outflows during the period.

Pensions Infrastructure Platform acquisition

In August 2020 Foresight completed the acquisition of the Pensions Infrastructure Platform ("PiP").

Founded in 2013 under the leadership of the Pensions and Lifetime Savings Association, PiP was backed by major UK pension schemes British Airways, Pension Protection Fund and Railpen, as well as local government pension schemes Strathclyde and West Midlands, to provide investment expertise and asset management to pension funds investing in UK infrastructure. It has established a portfolio of assets mostly through the PiP Multi-Strategy Infrastructure Fund, covering the energy from waste, renewables, social and transport sectors. The acquisition added approximately £1.7 billion to Foresight's AUM.

The acquisition is of strategic importance to Foresight. It immediately boosts its infrastructure offering with a broader scope of investments that complements its existing suite of funds, and will accelerate application of the Group's recognised environmental and sustainable investment capability into other infrastructure sectors. From PiP's perspective, Foresight provides access to extensive resources that will deliver resilience to its ongoing asset management capability as well as facilitate future growth opportunities.

Foresight Infrastructure investment strategies

Foresight Infrastructure's investment strategies are focused on investment in, and management of, various types of assets in the renewable energy, energy transition and social and core infrastructure sectors that can be optimised, in terms of operational and financial performance, and actively managed over the long term. In order to implement these strategies, Foresight Infrastructure utilises its fully integrated team of investment, asset management and technical team members to provide a consistent approach with the appropriate sector and geographic focus and expertise.

An important component of Foresight Infrastructure's investment strategies is utilising its international presence to access the best available markets at any given time and originate new deals through many networks. As deal origination in the renewable energy, energy transition and infrastructure sectors has become more competitive, Foresight Infrastructure has started to look at investment in certain projects earlier in the development phase of the project lifecycle in order to create further investment opportunities in such projects and generate strong returns on investment. Although such development investments are not currently typical, these investments may become a more common feature of its investment strategies over time.

Foresight Infrastructure's investment strategies also include pursuing opportunities in social and core infrastructure. As at 31 March 2021, Foresight Infrastructure had AUM of £1.7 billion in social and core infrastructure. As part of this, Foresight Infrastructure completed its first investment into a full fibre broadband network by way of a long-term financing agreement with a provider in East Sussex. The project will see Foresight build, install and operate new infrastructure across the region, with the potential to deliver hyperfast broadband to over 100,000 homes and businesses. More recently, Foresight Group also invested in its first student accommodation project with the acquisition of two student halls of residence based at the University of York.

When considering such investment strategies, Foresight Infrastructure evaluates the assets against five criteria to ensure that the investments meet the Group's values and approach to sustainable investing:

- Sustainable development contribution: contribution towards decarbonisation
- Environmental footprint: localised environmental impacts
- Social engagement: role in the local communities
- Governance: compliance with laws and regulations
- Third-party interactions: supply chain sustainability

These criteria are monitored prior to investment and continuously throughout the ownership of the asset.

FORESTRY

To diversify across asset classes, Foresight Infrastructure is increasingly investing in sustainable forestry assets. As at 31 March 2021, Foresight Group has completed 16 sustainable forestry acquisitions totalling £63 million, which are owned by the ITS fund. This asset class typically offers a reliable biological growth rate of 3-4% per annum and has demonstrated resilience over time.

Furthermore, investments in sustainable forestry create additional potential revenue opportunities in the form of:

- Carbon credits for afforestation sites
- Renting land to renewable energy developments
- Afforestation and restocking grants to support planting
- Other potential revenue streams, e.g. sporting rights, holiday lets and ecotourism

16

FORESTRY ASSETS

5,768

HECTARES

INFRASTRUCTURE MARKET OUTLOOK

The sustainability transition

Infrastructure market outlook

Renewables are expected to become a more prominent source of energy and are forecast to account for approximately 70% of new power generating capacity between 2020 and 2050, driving significant investment into the sector. According to Bloomberg New Energy Finance, US$15 trillion is expected to be invested in new power generation globally between 2020 and 2050, with 73% of this investment expected to go into renewable energy sources. Solar assets globally are expected to grow at a CAGR of 23.1% and wind capacity is expected to grow at a CAGR of 6.5% between 2020 and 2030.

The global decarbonisation agenda and retirement of existing fossil fuel plants are driving this investment. The European Union is at the forefront of the race, with many Member States setting strict targets for renewable energy contribution. By 2040, renewables are expected to account for 75% of total European electricity generation mix, with wind and solar accounting for 64%. Likewise, the UK is expected to reach 54% renewables by 2024 and 79% by 2040. Wind and solar are expected to account for 74% of generation by 2040.

The overall transition to a sustainable society can be categorised into three distinct phases in order to frame the wide range of opportunities resulting from it. Phase 1, being the initial emergence of renewable energy, has already occurred and in many places. Phase 2, which involves a more systemic overhaul of the energy grid is underway. Decarbonisation of the electricity system is, however, just the first step in the sustainability transition, which ultimately necessitates a fundamental reshaping of the systems that drive the global economy. Phase 3 of the sustainability transition therefore involves a much wider transformation of all economic sectors. Foresight Infrastructure has a long track record of making investments in Phase 1 and Phase 2 assets. It has begun to evaluate opportunities that may arise during Phase 3. Some of the Phase 3 subsectors may not give rise to viable infrastructure or wider real asset investment propositions for several years, but nonetheless tracking them is consistent with Foresight Group's wider approach of taking the "long view" when investing.

2005 · 2018 · 2022 · 2050

Phase 1: Initial Power Transition

Characterised by initial waves of renewables (wind and solar) being added to power grids

Sectors of opportunity

- Solar
- Onshore and offshore wind
- Bioenergy
- Hydro

Phase 2: Systemic Power Transition

As power systems in the developed world have become more decarbonised, there is an increasing focus on the need to take a "systemic" view of power generation

Sectors of opportunity

- Battery storage
- Offshore wind transmission links
- Interconnector cables
- Electric vehicle charging infrastructure

Phase 3: Wider Sustainable Transition

While the power sector is one of the most material contributors to global emissions, the need to address the c.70% of emissions from other segments of the global economy is now increasingly recognised

Sectors of opportunity

- Controlled environment food production
- Clean and advanced transport
- Industrial decarbonisation

CNG FUELS

In December 2020, two Foresight investment funds partnered with CNG Fuels to acquire and grow a strategic network of biomethane HGV refuelling stations across the UK. CNG Fuels is the UK's dominant supplier of renewable biomethane compressed natural gas for the UK's truck sector. This investment is helping to decarbonise one of the most emission-intensive parts of the transport sector.

The CNG Foresight investment comprises a portfolio of biomethane refuelling stations for compressed natural gas vehicles in the UK.

The transport sector is the largest source of carbon dioxide emissions in the UK, accounting for 34% in 2019[1]. Within the transport sector, HGVs produce 17% of road transport emissions and 4.5% of total UK greenhouse gases ("GHGs").

Therefore, HGVs fuelled by biomethane (as generated by anaerobic digestion plants) are the only commercially available, at-scale solution to substantially reduce these emissions.

HGVs fuelled with 100% biomethane offer a saving in GHG emissions of over 80% on a "well-to-wheel" basis when compared to a similar diesel vehicle. They also offer further environmental benefits such as lower noise and lower particulate emissions[2].

The take-up of CNG HGVs fuelled by biomethane therefore offers fleet operators the opportunity to lower their emissions substantially. CNG HGVs are also cheaper to run over a typical five to seven-year duty cycle, due in part to a favourable fuel duty position compared to comparable diesel vehicles. The government has committed to maintaining a clear advantage for gas-powered vehicles until 2032, as part of measures supporting the UK's target of net zero emissions by 2050.

Revenues are earned from sales of biomethane fuel to customers under contract, which include several of the largest fleet operators in the UK. The commodity price of gas is passed through to the customer, meaning the funds have no exposure to underlying merchant gas prices.

34%

PERCENTAGE OF 2019 UK CO_2 EMISSIONS FROM TRANSPORT

80%

REDUCTION IN CO_2 FROM BIOMETHANE-REFUELLING TECHNOLOGIES

1. BEIS "2019 UK greenhouse gas emissions, provisional figures" (26 March 2020).
2. Source: CNG Fuels, Element Energy.

The sustainability transition continued

Phase 1: Initial Power Transition (2005 – c.2018)

This phase, which broadly corresponds to the period from the year the Kyoto Protocol came into force (2005) up until around 2018, was characterised almost entirely by initial waves of renewables (principally wind and solar) being added to power grids, in particular in wealthier countries. As levels of renewable energy deployment across power networks were relatively modest, there was no particular need to upgrade systems as a whole to accommodate these new additions. During this phase, renewable energy became established as a mature and highly popular asset class for institutional investors.

Phase 2: Systemic Power Transition (c.2018 onwards)

Recently, as power systems in Europe, North America, China and elsewhere have become more decarbonised, there has been an increasing focus on taking a "systemic" view of electricity production. This particularly relates to energy storage and grid flexibility, and for new power transmission and distribution infrastructure. This forms the basis for the strategy of such funds as Foresight's flagship energy transition fund, FEIP.

Phase 3: Wider Sustainable Transition (early 2020s onwards)

While power generation is one of the most material sectors from a GHG emission perspective, the need to address the c.70% of emissions from other segments of the global economy is now increasingly recognised. While financing decarbonisation of these other sectors will likely entail a much greater level of complexity than that associated with conventional renewables, it represents a large opportunity for investors.

Examples of investment areas might include:

- New forms of sustainable food production such as controlled environment agriculture (e.g. high-tech glasshouses or vertical farms) and controlled environment aquaculture (e.g. onshore fish farms)
- Clean and advanced transport opportunities, such as the use of sustainable biofuels or supporting the roll-out of electric vehicles

We will provide our institutional and retail investors with access to investment opportunities that address these three phases as well as the broader core and social infrastructure markets. This is facilitated by both listed and private funds which provide focus and scale to these broadening markets.

FORESIGHT CAPITAL MANAGEMENT

Nick Scullion
Partner and Head of Foresight Capital Management

Mark Brennan
Partner and Head of Investments at Foresight Capital Management

2021 achievements

January 2021:
- Mark Brennan achieves Citywire's A-rating

January 2021:
- FIIF is chosen by Tom Stevenson, Investment Director at Fidelity, as one of his Five Top Fund Picks for 2021

February 2021:
- REF was named a finalist in ESG Investing Awards 2021 – Best Real Estate/Property Fund

Foresight Capital Management was established in 2017 to facilitate retail and institutional investors accessing infrastructure, renewables and real estate investment opportunities through actively managed Open Ended Investment Companies ("OEICs"). The stable of funds is designed around Foresight's expertise in real asset investing and sustainability with predictable yield generation.

The team has specialist and wide-ranging knowledge of the listed real asset market, constructing portfolios of listed infrastructure and renewable energy companies and funds and sustainable real estate companies with relatively low volatility and greater liquidity compared to other retail products in the market.

Following a strong year for both fundraising and investment performance, as at 31 March 2021 Funds Under Management totalled £1.1 billion compared to £535 million at the end of the prior year, an increase of 111%. The portfolio currently comprises the FP Foresight UK Infrastructure Income Fund ("FIIF"), launched in December 2017, the FP Foresight Global Real Infrastructure Fund ("GRIF"), launched in June 2019, and the FP Foresight Sustainable Real Estate Securities Fund ("REF"), launched in June 2020.

FP Foresight Sustainable Real Estate Securities Fund

During the year, the Foresight Capital Management team launched its third OEIC, the FP Foresight Sustainable Real Estate Securities Fund ("REF"). This fund invests in listed Real Estate Investment Trusts across the globe with a focus on resilient sectors such as logistics, medical properties and data centres. The Fund targets a 4% income yield and capital growth over a rolling five-year period.

Sustainability is a key consideration in the stock selection process for REF. The Fund only invests in the shares of companies that the team has assessed as delivering a net social or environmental benefit, comply with the principles of the United Nations Global Compact for business, and demonstrate impact against at least one of four specific UN Sustainable Development Goals.

The team are proactive in engaging with companies, both to assess their potential, credentials and to actively encourage improvements in their sustainability performance.

5.17%
TOTAL RETURN SINCE INCEPTION (GBP, NET OF FEES)

£26.3M
FUND NAV AT 31 MARCH 2021

Fundraising and performance

In spite of the introduction of COVID-19 restrictions in March 2020 and the disruption in public markets, the OEICs have generated net inflows in every month of the year. Retail fundraising into the OEICs grew year-on-year, with net funds raised of £469 million between 1 April 2020 and 31 March 2021.

OEIC performance since inception

Fund	Inception date	Fund	Index
FP Foresight UK Infrastructure Income Fund[1]	4 December 2017	28.31%	7.09%
FP Foresight Global Real Infrastructure Fund[2]	3 June 2019	38.33%	25.18%
FP Foresight Sustainable Real Estate Securities Fund[3]	15 June 2020	5.17%	9.22%

1. Applicable index is FTSE All Share.
2. Applicable index is FTSE All World (GBP).
3. Applicable index is FTSE EPRA Nareit Developed Total Return.

All performance figures in the above table are sourced from Bloomberg.

Growth

On 1 June 2021, Foresight announced the launch of VAM Global Infrastructure Fund ("GIF"), a Luxembourg UCITS V Fund, through a new partnership with VAM Funds, a Luxembourg-based SICAV fund management company. Foresight Capital Management has been appointed investment manager to GIF, which will be distributed in South Africa, Singapore, the Middle East and Europe through VAM's established global distribution platform. GIF's investment strategy will focus on globally listed asset-owning infrastructure and renewables businesses, tapping into the growth potential and attractive risk-adjusted returns available to investors in these asset classes. This partnership is of strategic value for Foresight as it opens up global distribution markets for Foresight products, and provides access to large pools of overseas capital for the first time.

Foresight plans to launch a SICAV in the second half of 2021. This will initially provide investors with access to the GRIF investment strategy via a Luxembourg-domiciled SICAV with UK tax reporting status.

The growing OEIC market in the UK is likely to continue to be a key driver of retail fundraising and Foresight's Funds Under Management in the near to medium term. The launch of other new OEICs, also drawing on Foresight's core competencies and with a sustainability focus, is being considered. As the OEICs represent a growing proportion of Foresight's total Assets Under Management, Foresight Capital Management will be treated as a separate business line within the Group, alongside Infrastructure and Private Equity, from FY22 onwards.

PRIVATE EQUITY

AT A GLANCE

Foresight aims to be the provider of choice for sub-£5 million investments in UK SMEs.

7
UK OFFICES

115
PORTFOLIO COMPANIES

11
DIFFERENT INVESTMENT VEHICLES

1,800
BUSINESS PLANS REVIEWED EVERY YEAR

£714m
AUM

30
INVESTMENT PROFESSIONALS

SECTORS

TECHNOLOGY, MEDIA & TELECOMMUNICATIONS

HEALTHCARE

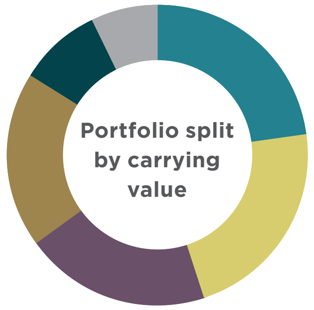
CONSUMER & LEISURE

ENGINEERING & INDUSTRIAL

BUSINESS SERVICES

Foresight Private Equity manages investments in 115 UK SMEs, across a range of sectors, with AUM of £714 million as at 31 March 2021. Foresight uses a broad mix of product types to facilitate fundraising from both institutional and retail investors, such as Venture Capital Trusts, regional institutional funds, Enterprise Investment Schemes ("EIS") and Inheritance Tax Solutions ("ITS").

Foresight provides growth capital and replacement capital investments through our network of regional UK offices.



- Business services 23%
- TMT 22%
- Engineering/industrials 20%
- Asset-backed lending 19%
- Consumer/leisure 9%
- Healthcare 7%

PRIVATE EQUITY

MARKET OPPORTUNITY

Foresight Private Equity targets investment in sectors with favourable long-term trends and structural growth drivers. As approximately 83% of all UK SMEs are based outside London, we believe our UK regional focus is a key strength and differentiator.

These investments also cover a range of maturity profiles from early stage to more mature small companies. Annual revenues at portfolio companies predominantly range between £2 million and £20 million for private equity transactions, although venture and seed investments can be into high tech, pre-revenue companies, which are often university spin-outs.

ESG considerations are core to Foresight's investment management approach. The Private Equity Team use five ESG Principles to evaluate, monitor and encourage portfolio companies to develop their ESG standards:

1. Awareness: ESG/sustainability issues minuted at board meetings
2. Environmental: Environmental policies and track record
3. Social engagement: Community and stakeholder engagement
4. Governance: Policies and risk management
5. Third-party interactions: Supply chain transparency including modern slavery

£71.9m

INVESTED IN FY21

49

TRANSACTIONS DURING FY21

Despite the disruption caused by COVID-19 to our normal way of doing business, the financial year to 31 March 2021 was a period of strong activity for the Private Equity Team. £71.9 million of capital was invested in 39 UK businesses, from eight different investment vehicles, across a wide variety of sectors and investment types. Including follow-on investments where a company received multiple investments, a total of 49 investment transactions were completed.

The Foresight Williams Technology funds were particularly active, backing nine early-stage companies with high growth potential, supporting the development of innovative and occasionally transformational technologies across a range of different sectors.

The Private Equity Team also completed several successful realisations from both retail and institutional funds. Notable examples included the sale of Hedges Direct (see case study) and FFX Group, one of the UK's largest independent suppliers of high quality power tools, fixings and building supplies. This exit returned £17.0 million to Foresight funds, 4.3x the initial investment. Since Foresight's investment in October 2015, FFX more than tripled its revenues.

EXIT: HEDGES DIRECT

In February 2021, Foresight completed the successful sale of online horticultural business Hedges Direct Group Limited, generating a 5.6x return to investors in just over four years. This was the second exit from the North West-focused Foresight Regional Investment LP, following the sale of Clubhouse Golf in March 2020 for a 6.1x return.

Hedges was acquired, following a competitive process, by the company's Chairman, Steve Caunce, who had backed the management team to continue its impressive growth journey. Foresight invested £2.75 million in Hedges Direct, based in Euxton, Lancashire, in August 2016. The company is a great example of Foresight's approach to value creation through strengthening the senior management team. Foresight introduced Steve Caunce to the business and he has been instrumental in driving recent growth.

Impact

ESG considerations are embedded in Foresight's investment management approach and support the delivery of strong economic returns. Hedges Direct has made significant progress since Foresight's investment. The company's products are now more environmentally friendly and encourage biodiversity. In addition, Hedges uses recycled water from a borehole and recycles all paper and cardboard. Overall, staff numbers have increased by 60%, mirroring the company's fast growth, and staff turnover has remained low thanks to high employee engagement.

Foresight's investment supported management in developing Hedges Direct's online presence and marketing strategy, greater fulfilment capabilities and new, improved office facilities. This enabled Hedges to expand its customer base, targeting both consumer and trade, leading to revenues doubling in four years.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES
15 LIFE ON LAND

Performance

We are pleased to report that there were no COVID-19-related company failures across the portfolio during the year. The first half of the year saw some downward adjustments in the valuations of the portfolio but by the end of the year the majority of companies had demonstrated resilience, driving a rebound.

Although 2020 and the current climate is proving challenging, many of our portfolio companies have used this as an opportunity to review their overall strategy, venture into a new market or launch a new product or service. From providing PPE and interpretation services to the NHS and even manufacturing COVID-19 testing kits, we're proud of the contribution made by our portfolio companies.

The months ahead will provide a different trading landscape as businesses adapt to the "new normal". Foresight continues to work closely with our portfolio companies to support their business ambitions and ensure they have resilient business models.

Fundraising

The year started strongly with Foresight VCT plc raising £18.6 million through an offer for subscription in April 2020. Although the lack of face-to-face meetings initially presented some challenges for retail distribution, momentum was quickly regained during the year, resulting in positive fund inflows. A total of £13.2 million was raised for the Foresight Williams Technology funds. In November 2020, the Foresight Williams Technology EIS Fund reached a significant milestone, having raised a total of £50 million since launch.

During the year Foresight also continued to develop relationships with a number of new and existing institutional investors, exploring a range of new investment products.

Post period end, in May 2021, Foresight announced the first closing of its latest regional private equity fund, the North West-focused Foresight Regional Investment III LP. The Fund has raised an initial £65 million, already exceeding the size of the previous Foresight fund focused on this region. Like its predecessor, the Fund is targeting investments in established SMEs valued at up to £30 million in North West England, North Wales and beyond.

In the year ahead we also expect to raise further capital from our key retail client base. The return of face-to-face meetings is expected to drive fund flows, in particular of Foresight's tax-efficient products such as the VCTs.

Despite the challenges COVID-19 presents in the medium term, the UK remains an excellent place to start, scale and sell a business, with broad pools of talent and an entrepreneurial culture.

Foresight believes that transactions between £1-£5 million are the least competitive and most attractive in the UK private equity market, from a value creation perspective. The economic consequences of COVID-19 will only widen the SME equity gap, increasing the number of attractive opportunities available to our funds. New investments should also benefit from the growth phase of the next economic cycle.

ENVIRONMENTAL, SOCIAL & GOVERNANCE

We believe that acting conscientiously as a company and investing responsibly are critical to the long-term success of both Foresight and the capital it manages.

SUSTAINABLE BUSINESS

Sustainability lies at the heart of Foresight's business. We nurture a culture, relationships and behaviours that reflect this.

- **People** and **community**
- Supporting a **diverse** and **inclusive** culture
- **Communication** and **transparency**
- **Accreditations** and **commitments**
- **Staff** engagement
- **Environmental awareness**, understanding and action
- Appropriate **governance** structures
- Climate change **readiness**
- Participant in the **UN Global Compact**
- Foresight is aligned with a number of other external sustainability, **ESG** and Diversity & Inclusion ("D&I") organisations, which guide our approach
- **Stakeholder** engagement

SUSTAINABLE INVESTOR

Our investments in infrastructure and private equity are guided by ESG and sustainability considerations.

- Signatory to the **Principles for Responsible Investment** since 2013
- Investments assessed for alignment to **UN Sustainable Development Goals**
- Bespoke methodologies used to **assess and monitor** infrastructure and private equity investments
- Sustainability and ESG factors **assessed** prior to investment and monitored throughout ownership period
- Progress **reported** to investors
- We participate in industry **collaborations** to promote understanding of sustainability issues
- Foresight was awarded the **LSE Green Economy Mark** at IPO

289
RENEWABLE ENERGY INVESTMENTS

71%
STAFF ENROLMENT IN SIP

14 years
OF RENEWABLE ENERGY GENERATION

1,000+
JOBS CREATED

2.6m
TONNES OF CO_2 EMISSIONS SAVED IN FY21

5,768
HECTARES OF FORESTRY UNDER MANAGEMENT

1.2m
UK HOMES (EQUIVALENT) PROVIDED WITH RENEWABLE ELECTRICITY

17%
OF PRIVATE EQUITY PORTFOLIO WITH FEMALE FOUNDERS

A+, A+, A
FORESIGHT'S PRI SCORES IN 2020

£1.7bn
VALUE OF RENEWABLE ENERGY ASSETS

2.9GW
INSTALLED CAPACITY

PROVIDED
3.6TWh
OF RENEWABLE ENERGY IN FY21

SUSTAINABLE DEVELOPMENT GOALS

GREEN ECONOMY LONDON STOCK EXCHANGE

PRI Principles for Responsible Investment

SUSTAINABLE BUSINESS

Foresight participates in the United Nations Global Compact, supporting its 10 Principles through our investment activities and corporate behaviours.

UN GLOBAL COMPACT

Founded in 2000, the United Nations Global Compact ("UNGC") is the world's largest corporate sustainability initiative and is seeking to transform the world through business. Its objective is to mobilise a global movement of businesses that are committed to responsible and sustainable practices by encouraging transparency and accountability across all areas of the businesses' operations. Currently, there are over 9,000 companies across 165 countries that have committed to the UNGC.

10 PRINCIPLES

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: Businesses should make sure that they are not complicit in human rights abuses

LABOUR

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4: The elimination of all forms of forced and compulsory labour

Principle 5: The effective abolition of child labour

Principle 6: The elimination of discrimination in respect of employment

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental changes

Principle 8: Undertake initiatives to promote greater environmental responsibility

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Read our Global Compact Communication on Progress here
https://www.foresightgroup.eu/media/i3sjmpuv/foresight-group-llp-un-global-compact-communication-on-progress.pdf

ENVIRONMENT

Progress against TCFD recommendations

Foresight Group recognises climate change as the defining challenge of our time and by channelling global capital flows towards inherently sustainable outcomes, aims to meaningfully assist international efforts to limit the global temperature increase in this century to the Paris Agreement's target of 2 degrees Celsius, while pursuing means to limit the increase even further to 1.5 degrees.

Foresight Group also recognises the importance of assessing climate-related risks that have the potential to materially impact its business. It supports the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), which are structured around four thematic areas: governance, strategy, risk management and metrics and targets.

Foresight Group's disclosures will continue to evolve as it moves towards full alignment by 2022 in line with the recommendation of the UK Government's Green Finance Strategy.

GOVERNANCE: Description of the Board's oversight of climate-related risks and opportunities

Disclosure	Reference
The Board assumes overall responsibility and accountability for the management of Foresight Group's climate-related risks and opportunities by setting its strategies in that regard, reviewing reports from the business and authorising new initiatives including launching new products or initiating new risk control measures. The Board has tasked the Executive Committee with executing and delivering that strategy.	Page 86 Executive Committee description

GOVERNANCE: Description of management's role in assessing and managing climate-related risks and opportunities

Disclosure	Reference
Foresight Group's strategy is key to positioning itself and its investors to participate in and benefit from climate-related opportunities and it is aligning its management structure accordingly. Foresight Group's Executive Committee established the Sustainability and ESG Committee in 2018 with the purpose of shaping and steering Foresight Group's approach to sustainability. Other committees also contribute to sustainability issues. Additionally, Foresight Group's employees are obliged (where their role requires it) or encouraged to agree one or more sustainability or ESG-related objectives as part of their annual appraisal process.	Page 60 Governance section of Sustainable business

ENVIRONMENT CONTINUED

Progress against TCFD recommendations continued

STRATEGY: Description of the climate-related risks and opportunities the company has identified for the short, medium and long term

Disclosure	Reference
As an investor in renewable energy, Foresight Group recognises that climate-related issues present a major opportunity for itself and the investors in its funds and is in the process of formulating a Group-wide Environmental Strategy which will formalise identification of its climate-related risks and opportunities. At a corporate level, relating to the operation of Foresight Group's business, the following key climate-related risks have been identified: • Short to medium term: catastrophic weather-related events leading to significant disruption to operations and/or physical and information resources being disabled or inaccessible • Longer term: rising sea levels rendering office locations inaccessible or undesirable • Reputational risks associated with our corporate environmental footprint In terms of climate-related risks impacting Foresight's strategy, the Group has identified the following main risks at both the Group and portfolio levels: • Weather-related catastrophic events (fire, hurricane, flood, etc) destroying infrastructure assets or causing disruption to the business model of portfolio companies • Rising sea levels destroying infrastructure assets/portfolio company property or making areas uninhabitable • Climate change placing a greater strain on natural resources required for the operation of infrastructure assets/portfolio companies • Stranded asset risks resulting in the continued operation of existing infrastructure assets/portfolio companies becoming less profitable • Market forces including regulatory costs • The destruction of natural habitats leading to a loss in biodiversity and key ecosystem services • Reputational risks associated with the environmental footprint of our infrastructure assets/portfolio companies In relation to climate-related opportunities, Foresight Group believes it is well placed to benefit from the transformational change that is underway in global energy markets driven by evolving patterns of both energy production and usage, predominantly because of the rapid growth in renewable power generation. In addition to the energy transition, a wider sustainability movement is also underway which involves a fundamental reshaping of the systems that drive our global economy. This is creating investment opportunities in SMEs offering low carbon goods and services.	Page 39 Infrastructure market outlook

STRATEGY: Description of the impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning

Disclosure	Reference
As Foresight Group's Environmental Strategy develops, the impact of climate-related risks and opportunities will be continually reviewed, analysed and quantified. At the portfolio level, due diligence is undertaken on all investments, including identification and assessment of climate risk and impacts, which are monitored throughout an investment's lifecycle. These impacts will be aggregated for disclosure in Foresight Group's 2022 Annual Report. For Infrastructure and Private Equity, assets are evaluated against the following criteria: • Sustainable development contribution (for Infrastructure): contribution towards decarbonisation/Strategy and awareness (for Private Equity): ESG/sustainability issues covered by the Board • Environmental: localised environmental impacts/environmental policies and track record • Social: role in the local community/community and stakeholder engagement • Governance: compliance with laws and regulations/policies and risk management • Third-party interactions: supply chain transparency including modern slavery For Foresight Capital Management, investments only proceed if they deliver a net social or environmental benefit, comply with the principles of the United Nations Global Compact for business and demonstrate impact against one of four specific UN Sustainable Development Goals.	Page 37 Foresight Infrastructure's Sustainability Evaluation Criteria Page 46 Foresight Private Equity's Five Principles approach to ESG

STRATEGY: Description of the resilience of the organisation's strategy in respect of different climate-related scenarios, including a 2 degrees or lower scenario

Disclosure	Reference
The Group believes that its strategy is resilient to most plausible climate-related scenarios and it is currently formalising its evaluation of the resilience of its Environmental Strategy, which it expects to present in its 2022 disclosure.	Page 53 Environment section of Sustainable business

RISK MANAGEMENT: Description of the firm's processes for identifying, assessing and managing climate-related risks

Disclosure	Reference
Climate-related issues are being integrated into Foresight Group's risk management procedures, spanning the Investment and Risk Management Committees, with input from the Sustainability and ESG Committee. As noted above, Foresight's investment processes involve extensive due diligence, which includes consideration of climate-related risks.	Page 37 Foresight Infrastructure's Sustainability Evaluation Criteria Page 46 Foresight Private Equity's Five Principles approach to ESG

ENVIRONMENT CONTINUED

Progress against TCFD recommendations continued

RISK MANAGEMENT: Description of how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management process

Disclosure	Reference
Each process relevant to the identification, assessment and management of climate-related risks will be reviewed in conjunction with the Board's strategy. Changes will be made and training given to the relevant staff.	Page 74 Risks

METRICS AND TARGETS: Description of the metrics and targets used to assess climate-related risks and opportunities

Disclosure	Reference
Foresight Group is developing metrics for assessing climate-related risks in its investment portfolios. In accordance with the TCFD's carbon footprinting and exposure metrics and the Science Based Targets initiative ("SBTi"), targets being considered include: • Reduction in the carbon intensity of portfolio investments • Reduction of proportionate exposure to assets with significant climate transition risks • Stewarding Foresight Group's assets towards a net-zero pathway At a corporate level, Foresight Group is developing tracking methodologies to gauge its direct impact on the environment.	Page 53 Environment section of Sustainable business

METRICS AND TARGETS: Greenhouse gas emissions and related risks (Scope 1, 2 and 3 if appropriate)

Disclosure	Reference
Foresight Group is working with environmental consultancy Green Element to calculate its 2019 and 2020 corporate carbon footprint. We aim to produce aggregated greenhouse gas emissions data for corporate activity for disclosure in the 2022 Annual Report. Foresight Group's carbon footprint will include greenhouse gas emissions across Scopes 1, 2 and 3 and will be calculated in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the GHG Protocol Corporate Value Chain (Scope 3) Standard. Foresight Group is collecting consumption level data across all of its offices. This data covers energy, waste, water, business travel, staff commuting habits, office and IT equipment, food and stationery. Undertaking this carbon audit will allow Foresight Group to set science-based carbon reduction targets in line with the Paris Agreement and according to the Science Based Targets initiative criteria. This means that Foresight Group will work to reduce its carbon emissions in line with the IPCC's recommended cap of 1.5C above pre-industrial levels by 2050 with low or no overshoot, and thereby attain our target of science-based net-zero carbon by 2050. Foresight Group already tracks and reports the greenhouse gas savings delivered by all clean energy investments assessed to be contributing significantly to climate change mitigation through net avoidance of carbon emissions and other pollutants.	Page 53 Environment section of Sustainable business

SOCIAL

Staff wellbeing

We believe that engaging with staff openly about mental health and wellbeing can help overcome stigma and create a healthier working environment at Foresight.

During the second lockdown we launched a podcast series on our website focused on and providing practical advice to support various elements of wellbeing.

Talent and diversity at Foresight: our commitment to equal opportunities

To oversee Foresight's efforts, the Diversity and Inclusion ("D&I") Committee was elevated to a standalone committee in 2020 reporting to the Executive Committee, having previously been a working group under the Sustainability and ESG Committee.

The D&I Committee is guided by the Group's D&I Policy, which seeks to ensure equality and diversity at Foresight and provide the necessary framework to build an inclusive culture. The policy ensures that Foresight's commitment to diversity is known and understood by all its employees. This is achieved through the provision of training and guidance including staff inductions, e-learning courses, specific courses and our employee handbook, which is available on the intranet. Foresight's Executive Committee is responsible for reviewing and achieving the aims of the D&I Policy. The members of the Executive Committee recognise their role in being responsible and accountable for inclusion and the development of equality and diversity awareness at Foresight.

Foresight is committed to encourage, develop and retain a diverse pool of talent to reach the top level. As such, we are working hard to develop initiatives to facilitate this.

Some of the internal and external initiatives and support programmes are as follows:

- Ensuring our recruitment partners offer a diverse pool of candidates for each live vacancy
- Hosting annual recruitment refresh sessions where we speak with all our recruitment partners, informing them of our initiatives and what we would like to see going forward
- Unconscious bias training
- Diversity and Inclusion mandatory training
- Four-week resilience training programme open to all staff
- In 2021, we are partnering with Diversity VC on their Future VC programme to offer paid internships to talented individuals from diverse backgrounds and provide them with hands-on experience that will help them succeed in their chosen careers

SOCIAL CONTINUED

Our team operates across our international office network, working in a collaborative manner, where everyone has a voice.

Equality

Equality at Foresight is about removing any barriers, preventing discrimination and ensuring equal opportunity and access for all groups of people, both within Foresight and externally.

Diversity

Diversity within Foresight means accepting each person as an individual. As our success and competitiveness depends on our ability to embrace diversity, we believe that everyone should feel valued for their contributions. By working together, we will deliver the best possible solutions for our people, our clients and society overall.

Inclusion

At Foresight inclusion means further developing a working culture where differences are not merely accepted but valued, where everyone can develop themselves consistent with our vision and values. Foresight's aim is to be an organisation where people feel involved, respected and connected to our success.

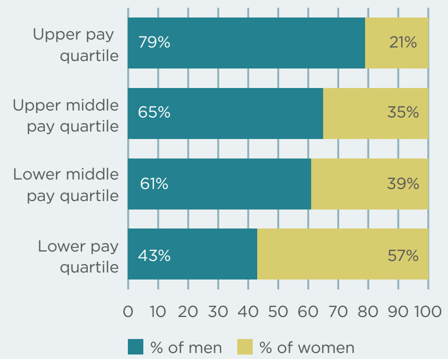
GENDER PAY GAP REPORTING

Foresight adopts a transparent, open and honest approach to diversity and inclusion. Although our headcount is still under the legally required limit to report on the gender pay gap (250 staff), we would like to share this information.

Foresight's mean gender pay gap is 27.0%. At Foresight we have more women in lower-paid roles, which has an impact on the overall gender pay gap figure. Foresight's median gender pay gap is 34.48%.

Our data highlights the uneven distribution of women across each pay quartile in the business. In other words, to reduce our gender pay gap, we need to have more women in senior and more highly paid positions. The chart on the right shows the gender split across four equally sized quartiles of the business, dividing our colleagues into four groups, from the lowest to the highest paid.

Foresight is committed to working towards reducing our gender pay gap. We continue to encourage, develop and support a diverse pool of talent so that every individual at Foresight can fulfil their potential.



WOMEN IN FINANCE

Foresight is committed to a diverse and inclusive workplace. In 2018 we became a signatory of HM Treasury's Women in Finance Charter and pledged our support for gender balance across financial services.

30%

FIVE-YEAR TARGET FOR WOMEN IN SENIOR MANAGEMENT ROLES

Foresight pledges to promote gender diversity by:

- Having a member of the senior executive team responsible and accountable for gender diversity and inclusion
- Setting internal targets for gender diversity among our senior management
- Publishing progress annually against these targets in a report on our website
- Having an intention to link the pay of the senior executive team to the delivery of internal targets on gender diversity

SUSTAINABILITY CONTINUED

GOVERNANCE

Board

The Board recognises its responsibility to support the continuation and evolution of Foresight's steadfast commitment to sustainability and ESG, which forms the basis of the Company's culture and identity. It is the Board's aim that measures taken across the business are developed and improved to ensure this culture is upheld. The Board is keen to ensure its strategic objectives also reflect this approach.

In that regard, the Executive Committee, acting with and for the Board, established the Sustainability and ESG Committee, which has the responsibility to help shape and steer the Group's approach to sustainability. An important part of its remit is to develop and review Foresight's sustainability vision and strategy, as well as ensuring that the sustainability and ESG considerations and frameworks that are incorporated into Foresight's investment processes and asset management activities are appropriate and market leading. Meeting once a quarter or more frequently on an ad hoc basis as required, the Sustainability and ESG Committee includes senior leadership from the key teams at Foresight to ensure its influence and views reach across the whole business. The Committee is required to report regularly to the Executive Committee on such matters.

Corporate Social Responsibility is also part of the Sustainability and ESG Committee's remit, pursuing initiatives to promote social and environmental responsibility in our corporate activities, implemented through a comprehensive set of practices, which are integrated into Foresight's business operations.

Sustainability issues are not limited to the Sustainability and ESG Committee but are also discussed at other committee meetings (Executive Committee, Investment Committee, Risk Committee, Health and Safety Committee). Sub-groups may also be formed and overseen by the Sustainability and ESG Committee to manage specific topics to cover, for example, investment activities and governance.

Health and safety

Health and safety is keenly monitored by Foresight both for its own business and premises and the businesses and premises of its portfolio companies and infrastructure assets. Wellbeing is also important to Foresight and some of the measures taken in respect to our staff are described on pages 30 and 31. The wellbeing of those associated with our business is likewise of importance and Foresight endeavours to comply with the UK's Modern Slavery Act across its business globally, which includes the supply chains to which we are party.

We are continually developing the measures we take to promote increased supply chain transparency in line with internationally recognised standards and to support wider industry efforts in that regard. This includes increased engagement with manufacturers and contractors in our infrastructure portfolio. It is also recognised that collaboration with other asset managers and industry bodies will have greater impact on seeking to eradicate forced labour and other human rights abuses.

Individual accountability

As a means of incentivising accountability at an individual level, all Foresight employees are obliged to incorporate one or more sustainability or ESG-related objectives as part of their annual appraisal.

Once an objective is set, it acts as a metric of ESG performance at the individual employee level. It is monitored by the employee's manager and reflected in their annual appraisal and remuneration.

ALIGNMENT TO THE UN'S SUSTAINABLE DEVELOPMENT GOALS

The UN's Sustainable Development Goals ("SDGs") represent a key driver of Foresight's investment and corporate activities. The SDGs are a list of 17 goals that seek to mobilise the international community to bring about an end to poverty and protect the planet. Across all of its activities, Foresight contributes to the following SDGs:

Infrastructure

As a sustainability-led infrastructure investment manager, Foresight looks to make impactful investments that support key sustainability themes. At a strategic level, Foresight's investment programmes are shaped around the long-term trends defining society and our relationship with the planet. Foresight's Infrastructure Team invests in resilient infrastructure and real assets that contribute meaningfully to global sustainability goals such as climate change mitigation.

Foresight's Capital Management team manages three Open Ended Investment Companies ("OEICs") that only invest in a company's shares if it delivers a net social or environmental benefit. The team is proactive in engaging with companies, both to assess their credentials and to encourage improvements in their levels of sustainability.

Private Equity

The Private Equity Team applies an outcome-focused approach to best understand, measure and track the positive impacts that the investee companies have on society and the environment. This is structured around four Impact Themes aligned with the SDGs. These Impact Themes help Foresight assess opportunities for its investee companies and the broader impact they can have on society and the environment.

Within Foresight's Private Equity Team, this is taken one stage further, adopting an impact focus that aligns to the Global Impact Investing Network ("GIIN") definition of impact investing, namely "investments made with the intention of generating positive, measurable, social and environmental impact alongside a financial return".

SUSTAINABLE INVESTOR

ESG describes the integration of environmental, social and corporate governance considerations into investment management processes and ownership practices in the belief that these factors can have a positive impact on financial performance.

As regulatory pressure increases the focus on sustainable investing, there is greater need for a reliable and robust means of assessing the sustainable and ESG credentials of investments.

Foresight's fiduciary duty to its investors means that ESG and sustainability factors are incorporated throughout the investment decision-making and investment management processes. Foresight similarly encourages all investee companies or other entities in which it invests to adopt high standards of ESG performance.

Foresight also aligns itself with a number of other external sustainability and ESG-focused organisations, all of which guide Foresight's approach, and some of which hold it to account by way of annual submissions and reports.

- **Pensions for Purpose**
- **UK Sustainable Investment and Finance Association**
- **Climate Bonds Initiative**
- **Investing in Women Code**
- **Solar Trade Association**
- **GRESB**
- **Initiative Climat International**

How are these collaborations useful for investors?

- Provide **clarity** and improve corporate transparency
- Demonstrate **commitment** and actions
- Signal activities that are consistent with **international goals**
- Clear **communication** on progress with focused, credible information

Find out more about our approach to responsible investing:

foresightgroup.eu/responsible-investing/

PRINCIPLES FOR RESPONSIBLE INVESTMENT

The Principles for Responsible Investment ("PRI") is the world's leading proponent of responsible investment. The PRI works to achieve a sustainable global financial system by encouraging the adoption of six Principles and collaboration on their implementation, by fostering good governance, integrity and accountability and by addressing obstacles to a sustainable financial system that lie within market practices, structures and regulation.

A signatory since 2013, in our last annual assessment Foresight achieved ratings of:

A+ for Strategy & Governance

A+ for Infrastructure

A for Private Equity

Infrastructure

As a sustainability-led infrastructure investment manager, Foresight looks to make impactful investments that support key sustainability themes. At a strategic level, our investment programmes are shaped around the long-term trends defining society and our relationship with the planet. We focus on resilient infrastructure and real asset sectors which contribute meaningfully to global sustainability goals such as climate change mitigation.

At an investment level, we evaluate all our assets in accordance with Foresight's proprietary Sustainability Evaluation Criteria ("SEC"). The SEC is an in-house tool that enables us to integrate sustainability and ESG considerations across the investment lifecycle by identifying and evaluating a project's sustainability credentials, and subsequently managing the risks and opportunities that exist around the asset to make improvements where possible.

Private Equity

Key to the Private Equity Team's approach are five ESG principles, which have been identified as the main areas where it is possible to evaluate, monitor and encourage portfolio companies to develop their ESG standards.

This is systematically applied throughout the investment cycle and is supported by quantitative and qualitative data. During the life of the investment, the ESG progress of a particular company is regularly monitored. The evaluation involves the company's ESG performance, current ESG position and opportunities for ESG improvement and value creation.

Over recent years, we have increasingly aligned our investment approach with the UN Sustainable Development Goals, recognising that small businesses play a crucial role in delivering the targets set under these goals to bring about an end to poverty and protect the planet.

ENVIRONMENT

Foresight recognises climate change as the defining challenge of our time.

By channelling global capital flows towards inherently sustainable outcomes, Foresight aims to meaningfully assist international efforts to limit the global temperature increase in this century to the Paris Agreement's target of 2 degrees Celsius, while pursuing means to limit the increase even further to 1.5 degrees.

Whether we are financing infrastructure investments to facilitate the energy transition, protecting and restoring natural forest ecosystems or driving the roll-out of fibre broadband, our teams are working to create a sustainable legacy fuelled by clean power and resource-efficient systems.

PROTECTING THE PLANET WITH SUNSHINE AND HONEY

With 167 solar farms around the world generating more than 1.6GW, we are proud to be providing clean, sustainable electricity for the equivalent of over half a million UK homes. On top of that, our solar farms are havens for wildlife, where biodiversity flourishes.

Local beekeepers manage hives on several sites; we are not only helping with the pollination of crops and fruit trees in the immediate surroundings, but also making delicious honey for the local community to enjoy.

167

SOLAR FARMS AROUND THE WORLD

EU Taxonomy alignment

The EU Taxonomy aims to provide assurance to investors that projects are making a genuine contribution to sustainability targets. Following an internal review of the EU Taxonomy's performance thresholds, Foresight recognised there was significant merit in having an independent third party validate certain assets' compliance with the Taxonomy.

An assurance specialist with a track record of working across the renewable energy sector was selected to evaluate the investments made by Foresight Energy Infrastructure Partners, Foresight's flagship private markets energy transition strategy.

To date, two FEIP projects have been assessed in line with the thresholds set out in the Technical Annex to the EU TEG Final Report on the EU Taxonomy and were considered to meet all necessary criteria to validate them as sustainable investments in line with the EU Taxonomy.

MIXERGY

Developing energy-efficient and cost-effective hot water tanks for the home.

Foresight Williams Technology invested £1.6 million into Mixergy in December 2019

Mixergy has developed an internet-connected smart hot water tank which provides a better user experience for customers, saves energy and can be used to help balance the National Grid.

Unlike a conventional tank, Mixergy's innovative product heats water incrementally from the top of the tank, meaning only the volume of water required is heated.

A patented measurement device and accompanying app allows users to control their tank from their smartphone, ensuring that there is always enough hot water to meet the needs of the household.

By heating only the amount of water required, Mixergy's tanks are also more energy efficient. The tanks can be 30% smaller than traditional tanks and save customers more than £100 a year through a combination of lower heat losses and better use of flexibly priced electricity tariffs.

Mixergy's tanks also offer a demand side response ("DSR") service to the National Grid, which helps enable a sustainable and affordable electricity system by absorbing excess energy from the grid when demand is low, or time-shifting a tank's consumption of energy from the grid when system demand is high.

SUSTAINABILITY CONTINUED

SOCIAL

Sustainability and ESG factors lie at the heart of Foresight's business. We believe that acting with integrity and investing responsibly are critical to the long-term success of our business.

The impact our infrastructure assets and portfolio companies have on both their local communities and society more broadly is a key consideration for each of our investment teams, with the shared goal of achieving positive social outcomes.

We believe that often the greatest contribution Foresight's infrastructure investments make is progress towards decarbonisation, however social engagement is also an objective within the five Sustainability Evaluation Criteria that underpin our infrastructure investment strategy.

Social factors are one of the five principles that Foresight's Private Equity Team have identified as the key areas where it is possible to evaluate, monitor and, most importantly, support portfolio companies to develop their ESG standards over time (see page 46 for the full list).

As part of the Private Equity Team's due diligence process and ongoing analysis, social factors will be assessed for each potential investee company. This varies for each business depending on the nature of the company and markets addressed.

Foresight's social analysis is structured around five areas:

- **Diversity and inclusion.** Due diligence focuses on the contribution the company is making towards a safe, diverse and inclusive workplace for all of its employees, how balanced the senior management team is in terms of its demographics, and what policies and procedures are in place to support this.
- **Decent employment and job creation.** Through strengthening management and targeting strong growth, small established companies should increase the number of high-quality permanent jobs the business needs. Because the investee company is targeting sustainable growth, the jobs created should be long-term, and are often skilled roles in research and development, finance or sales, required to support and drive the company's growth.
- **Social impact of products and services.** Diligence will consider the social implications of the company's products and services. Foresight seeks to make investments that have a positive social impact, both locally and more broadly.
- **Social performance improvements implemented.** As part of an effective social policy, investee company management will identify opportunities to improve the operation of social policies and measure the extent to which improvements have been made year-on-year, subject to reasonable operational and cost constraints. Relevant factors to consider within these areas may include: health and safety compliance; non-discrimination policies; human rights/privacy; and engagement in potentially beneficial social activities such as training, local outreach programmes or similar.
- **Charitable practices and community engagement.** The Private Equity Team consider whether any charitable giving forms part of a considered approach. Best practice goes beyond donating to charity to directly engaging with the local community. Diligence considers whether the company gives volunteering days to staff and other active engagement initiatives.

Quality employment at scale

Foresight invests in small, growing businesses. As the backbone of UK plc, SME businesses are not only vital to a healthy economy, they are also the provider of the majority of UK employment. With investment from Foresight, coupled with our expertise, these companies demonstrate more resilience and are more efficient, generating a strong impact over the long term.

This leads to growth and job creation. By helping small business owners with their growth ambitions, Foresight has supported the creation of c.600 jobs to date through Foresight Regional Investment LP alone. Moreover, we recognise that every employee at our portfolio companies is a strategic asset and we work with our management teams to foster inclusive and engaged workplaces.

Example KPIs:

- Total number of employees on a full-time equivalent basis
- Total number of employees who completed developmental training as part of an investment into human capital
- Number of apprentices successfully completing a programme as part of a commitment to developing a workforce that is representative of the UK population

COVID-19 response

During this difficult time, we have worked closely with our investee companies, acting quickly in the early days and managing the uncertainty that followed. There is no doubt that our ESG framework has helped frame their responses to the pandemic. It encourages a long-term outlook, ensuring that action is taken in the best interests of all stakeholders, including the local community. The health and safety of employees, customers and the local communities in which companies operate has remained our clear priority, and we are pleased with the pace and the professionalism of the responses across the portfolio.

Management teams have worked long and hard to preserve where possible and grow their companies, ensuring they put the interests of customers, suppliers and employees ahead of their short-term profit or cash objectives.

Now, and in the years of recovery ahead, we believe Foresight's role as a committed, long-term ESG-focused funder of SMEs is more important than ever before.

SUSTAINABILITY CONTINUED

SOCIAL CONTINUED

Health

In addition to supporting companies that supply the pharmaceutical industry and help maintain NHS equipment, we have invested in companies that promote mental health and other wellbeing initiatives.

During the COVID-19 pandemic, the health and safety of all employees has been the number one priority and we have worked with our management teams to provide COVID-secure workplaces and support the mental wellbeing of staff in the transition to working from home.

We also encourage all of our portfolio companies to provide workplace benefits covering a range of areas, including medical cover and cycle to work schemes.

ABL HEALTH

- ABL Health is a Lancashire-based provider of community healthcare and wellbeing services across the North West of England.
- The business provides a wide range of health and lifestyle programmes including weight and obesity management, nutrition advice, physical activity, smoking cessation and wellbeing.
- The team at ABL Health are passionate about tackling health inequalities across the UK and transforming community healthcare. The business aims to improve the health and lifestyles of a typically lower income demographic and through its diverse service offering, helps to ease the burdens on the NHS and local authorities, freeing up valuable and limited resources to achieve other health objectives.

abl
a better life

GOVERNANCE

We believe that key themes which will shape investment returns in the twenty-first century include the continued evolution of business and investment governance standards to safeguard the interests of all stakeholders.

Private Equity

Good governance is central to the success of Foresight's ESG approach to SME investing. We require that our portfolio companies and their leadership teams demonstrate integrity and that the correct policies are in place to ensure businesses meet their legislative and regulatory requirements. In many cases, at the point of investment, governance and reporting structures may be limited, so we will work with companies to improve these. Introducing Independent Non-Executive Directors to the board is an important part of this process. Our approach is broken down into four core focus areas, which are assessed prior to investment and throughout Foresight's period of ownership:

- Business integrity
- Governance policies and risk management
- Board diversity
- Governance performance improvements

Infrastructure

Governance considerations are embedded throughout our infrastructure investment process and asset management procedures through our Sustainability Evaluation Criteria.

While infrastructure project companies often do not have employees, it is important to evaluate their wider governance framework. Relevant considerations include assessing whether a project is in compliance with relevant laws and regulations, and whether best practice policies have been adopted by the project company board. For larger infrastructure assets, which may be owned in consortium with other investors, then the governance procedures related to the board and shareholder representation are also a material consideration. Foresight will ensure that where project companies have not already implemented established best practice policies, these will be adopted on completion of an investment. In evaluating these criteria, we will look at the following factors:

- Compliance with laws
- Employment and human rights
- Anti-bribery and corruption
- Management structure

Capital Management

The vast majority of Foresight's investments are unlisted. However, the OEICs invest in shares of companies that are listed on regulated markets. Foresight considers engagement with these companies a key part of its investment process and believes it is instrumental in improving their ESG standards. Foresight will typically meet investee companies face-to-face, primarily during one-on-one meetings. Where Foresight believes that its engagement will have a beneficial impact on the performance of the company or the standards of their ESG reporting for example, it will increase its engagement with the management team and, where necessary, the Board.

Foresight continually monitors and assesses the overall performance of each holding. This covers factors such as financial performance, operational performance, strategy, ESG, key management personnel and stock market specific factors such as volatility, liquidity, dividend yield and market correlations. Assessment is primarily based on data presented in financial results, presentations, company presentations, third-party data and research providers. Each investment will be assessed to ensure that it continues to comply with the ESG and sustainability considerations that were part of the initial investment process.

Stewardship Code

While Foresight supports the aims and objectives of the UK Stewardship Code 2020, it is not currently a signatory. The reasons that we have chosen not to commit to the Code echo those set out in the British Private Equity and Venture Capital Association's response. Namely, that it is less applicable to firms such as Foresight that predominantly invest in unlisted assets and that the benefits of private equity fund managers signing up are limited. We will keep this decision under review and continue to publish our position in respect of the Code on our website **https://www.foresightgroup.eu/responsible-investing/governance/stewardship-code/**

OUR STAKEHOLDERS

Stakeholder engagement has historically been managed and overseen by the Executive Committee, which will now report on those activities to the Board.

A summary of our key stakeholders is noted below along with descriptions of the reason for engagement and the activities undertaken to date:

SHAREHOLDERS

Individuals and entities invested in the Company, who are entitled to attend and vote at general meetings, to dividends and to receive annual audited and interim unaudited reports and accounts.

Reason for engagement

The Shareholders are the owners of the Foresight Group and are entitled to receive timely and accurate information provided by the Board. Shareholders also have the right to vote on important Company matters at the Annual General Meeting and be consulted on significant corporate actions.

Activities

Foresight's Institutional Investor Relations Team provides services to investors, oversees the publication of announcements of important information and the publishing of the report and accounts, and the Company Secretary ensures the smooth running of general meetings.

STAFF

Staff, members and Partners of Foresight Group, who may also be Shareholders.

Reason for engagement

The Group considers its staff to be its most valuable asset, holding the expertise, knowledge and talent on which the Group's success is built.

Activities

The Group undertakes regular staff surveys, the results of which are shared with Team Heads so actions can be taken in any low-scoring areas. The HR Team works with Team Heads in relation to succession planning, career development, remuneration, appraisals and promotion. Professional qualifications are also supported as regards study costs and exam time, and ongoing professional membership fees.

CLIENTS AND INVESTORS

Foresight creates funds for and provides services to a number of pension funds and other institutions. It also promotes and manages retail funds, which are sold via financial advisers to retail investors.

Reason for engagement

The investors are the Group's life blood. It is important to provide products and services that provide those investors with an expected, risk-adjusted return and a high-quality service to ensure their continued investment in our products.

Activities

The Investor Relations Teams (Institutional and Retail) work to ensure investors receive the reporting and support they need.

Our stakeholder relationships

Authorised in five jurisdictions, Foresight is accountable to its stakeholders and considers it important to report on its economic, environmental and social impacts and be transparent about its approach to sustainability considerations both in its business activities and as a corporate entity.

We aim to have a two-way constructive relationship with the following nine key stakeholder groups. By considering their perspectives, insights and opinions, Foresight seeks to ensure outcomes of operational, investment or business decisions are more robust and sustainable.

The Executive Committee provides details of stakeholder feedback to the Board in various forms. The Board has the opportunity to access all main stakeholders directly if needed and will assess the effectiveness of the stakeholder engagement process during the course of the financial year ending 31 March 2022.

FINANCIAL ADVISERS AND WEALTH MANAGERS

Foresight's retail funds are sold via financial intermediaries and financial advisers.

Reason for engagement

Foresight does not sell directly to the public and so financial advisers and wealth managers are key to the Group's fundraising/sales.

Activities

The Retail Sales Team work with the financial advisers and wealth managers to educate and provide training on Foresight's products and information and advice on suitability of new products to the target investor types. Ongoing support is also provided, including provision of reports for investors.

INVESTEE COMPANIES

These include private equity portfolio companies and infrastructure project companies.

Reason for engagement

The success of the Group is linked to the success of its investment performance, and therefore the success of its investee companies.

Activities

Foresight places a member of staff on the board of all investee companies to ensure Foresight's interests are protected and create value. Foresight may also source other key board roles from its vast network to further help promote the success of the companies.

COMMUNITIES AND CHARITIES

These include the communities in which investee companies operate, communities local to the Group's offices, and charities selected by the Group's staff.

Reason for engagement

The Group has a strong ESG culture, which extends to the communities related to its investee companies and the location of its offices.

Activities

It is important to the Group to understand the views of the communities in which its investee companies operate. Supporting those communities by ensuring ESG values and standards are recognised and upheld by investee companies is enabled via a due diligence process and ongoing monitoring and reporting post-investment. The Group also recognises the importance of supporting charities and causes whether local to the communities in which it operates or nationally.

OUR STAKEHOLDERS CONTINUED

SUPPLIERS AND SERVICE PROVIDERS

These include the suppliers of key/business critical services to members of the Group and/or the Group's funds.

Reason for engagement

Foresight's operations require the support of third-party service providers and to ensure the quality and efficiency of the operations of the Group and funds, Foresight carefully selects the service providers it partners with.

Activities

Initial and ongoing due diligence is important in monitoring performance of all suppliers, to ensure the overall quality of the services to the Group and its funds.

REGULATORS AND GOVERNMENT BODIES

There are currently four regulated entities operating within the Group: two in the UK, one in Guernsey and one in Luxembourg. Additionally, Foresight Group LLP has recently been approved by the SEC as a regulated investment adviser. A number of Foresight's funds take advantage of governmental tax incentives, subsidies and other initiatives offered by governments in the UK and elsewhere.

Reason for engagement

To maintain the Group's licences and authorities to carry out the regulated activities it provides to its clients and funds, it is important to maintain transparent and open relationships with regulators. Additionally, a number of Foresight's funds take advantage of tax incentives, subsidies and other initiatives granted by the governments of the countries in which the funds invest.

Activities

The Group employs compliance teams in each of its regulated operations to ensure compliance with local regulations and to make all required filings. Compliance monitoring plans are in place to manage the monitoring and evidence is collated to demonstrate compliance. The teams support regulatory consultations and thematic reviews.

INDUSTRY BODIES AND INITIATIVES

These include the Financial Reporting Council, the Principles for Responsible Investment, UN Global Compact, the UN Sustainable Development Goals and the Women in Finance Charter.

Reason for engagement

The Group aligns itself with various UK and global initiatives relevant to the Group's activities that set standards for the businesses in which it operates as a measure and guide to itself and its stakeholders of its performance against those standards.

Activities

The bodies and the initiatives they sponsor are increasingly important benchmarks for investors and clients. Meeting their requirements and providing support is important in ensuring Foresight's products continue to be considered for investment by investors and clients, and their financial advisers and wealth managers.

SECTION 172(1) STATEMENT

Foresight Group Holdings Limited was incorporated in Guernsey under the Companies (Guernsey) Law 2008 (as amended), which does not have a statutory equivalent to section 172 of the Companies Act 2006 (the UK Act). However, in the spirit of openness and transparency, the Directors have provided a statement describing how their interests and the matters set out in section 172 have been considered in accordance with Provision 5 of the 2018 Code.

Section 172(1) of the Companies Act 2006 requires a director of a company to act in a way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, and in doing so, have regard, amongst other matters, to:

a) The likely consequences of any decision in the long term
b) The interests of the company's employees
c) The need to foster the company's business relationships with suppliers, customers and others
d) The impact of the company's operations on the community and the environment
e) The desirability of the company maintaining a reputation for high standards of business conduct
f) The need to act fairly as between members of the company

The Board was satisfied with these areas for the short period from Admission on 4 February 2021 until the year end of 31 March 2021, but will clearly devote more time to these matters in the full year to 31 March 2022.

To assist with this, over the coming year, the Board will work with the Executive Committee and the various teams across the business to develop the Board reporting.

The resulting reports will be provided periodically and will be discussed at the formal, scheduled meetings, which is key to ensuring the Board is sufficiently informed to appropriately exercise its discretion when considering section 172 matters. In so doing, the Board will also be better able to consider the long-term consequences of any decisions made. The Board has also authorised the Executive Committee, the members of which are listed on pages 86 and 87, to undertake the management and oversight of the day-to-day business and operations.

Examples of the work undertaken by the Executive Committee in regard to the section 172 matters prior to listing are set out below:

- Arranged employee surveys, acting on the results by cascading the results down through the teams and working with the various line managers to improve employee engagement
- Set the culture of the Group and implemented the Group's policies and business processes to ensure all entities within the Group act consistently and uphold the Group's culture
- Overseen the engagement of third-party suppliers, whether as an outsourcing arrangement or a direct engagement, ensuring due diligence and audits are carried out on the more business critical engagements. Customers are also critical to the Group's success and the Executive Committee has sponsored a number of projects to improve its client service and is currently in the process of establishing an investor portal
- Ensured that ESG is an integral part of the Group's operation, particularly in relation to its investment activities. As a result of this, the Group ensures that consideration is given to the communities in which the investment companies operate, as well as the environment. This is ensured as part of the due diligence process conducted in respect of each investment, which measures the ESG impact of the investment company/project. Additionally, a Charity Committee has been established and staff have been encouraged to take part in charitable events such as tree planting, volunteering days, etc
- Established a code of conduct for the UK operation, as noted under the Internal Controls section, setting the minimum best practice standard for the Group. This ensures a high standard of conduct across the Group to help maintain the Group's reputation

The Executive Committee will continue to undertake matters such as the above under the direction of the Board, with the purpose of promoting and implementing the Group's strategic direction and objectives. The strategic direction and objectives will be determined by the Board having regard to the Group's assets and liabilities, and the benefit to the Group and its various stakeholders.

Understanding the views and values of all our stakeholders is therefore important to the success of the Group. Historically, the Executive Committee had responsibility for stakeholder engagement and will now assist and support the Board in that regard. The Board will ensure it is sufficiently informed when making decisions so it can judge any long-term consequences, determine which stakeholders may be affected and identify potential issues. As appropriate, decisions will be communicated and discussed with stakeholders, and the form and content of communications will be determined by the nature of the stakeholder and the matter concerned.

RISKS

The Board is responsible for setting the tone of the Group's risk culture.

Our approach to risk management

The Board is responsible for the Group's risk culture, which is based on a sense of ownership and collective accountability for risk management by all staff. The Group's risk management process is designed to meet the demands of its growing business and is designed to ensure it supports the decision-making processes at a strategic and operational level and so protects the interests of its stakeholders. Foresight continues to develop robust and consistent operating practices, which are key to ensuring high-quality and reliable reporting to enable the Board to manage and oversee the Group's risks.

The Group's operating practices include:

- A comprehensive organisational and governance framework, comprising clearly defined staff roles, responsibilities and authorities, supported by Group policies
- A framework of policies and procedural documents to ensure compliance with applicable legislation, regulations, standards and industry best practices and quality of service. The UK operation also undergoes a periodic ISAE 3402 review of its operations
- A financial reporting system that covers planning, budgets and forecasting
- A regulatory compliance system that includes a risk-based compliance monitoring programme
- Internal oversight:
  - Risk-based compliance monitoring programme
  - Governance oversight programme that includes information security and data protection
  - Foresight currently has no internal audit function, although this is a matter of regular consideration in relation to the size and complexity of its business
- External oversight:
  - Audit of compliance and risk function
  - Audit of the Group's financial systems and position
  - Audit of the UK information security arrangements related to ISO 27001
  - Regulatory scrutiny
- Staff/stakeholder communications to ensure they are informed about all matters relevant to them
- Staff awareness of their responsibilities for managing risks within their respective business areas and in support of Group initiatives. To support staff awareness, various forms of training are employed by Foresight, such as in-house best practice sessions, online courses, external courses, webinars etc, as well as supporting staff development via professional qualifications and ongoing CPD
- Additional risk management resources are being added, reflecting the growth of the business

1. For unstaffed or smaller Group entities, there may be only one line of defence jurisdictionally.

Risk governance structure

The Group's principal operation is based in the UK, with the London office providing support services to all UK regional and global offices. The risk function is currently coordinated by the CFO, who is based in London, and the Head of Governance, who is based in Guernsey. Foresight is committed to following the three lines of defence model for the Group, and its structure is above.

Risk appetite

As a provider of regulated services, Foresight is required to document its risk appetite in relation to its regulated entities within the Group. As Foresight's London office is the Group's principal office, its risk appetite is considered the minimum standard for the Group.

Foresight's risk appetite statement sets out the level and types of risk that it is willing to assume to achieve its strategic objectives and business plan. The risk appetite statement has early warning triggers and firmer risk limits covering business and strategic risk, market risk, credit risk, operational risk, legal and regulatory risk, financial crime risk, conduct risk and information security risk.

The metrics used to monitor these risks include, but are not limited to, cumulative profit and loss figures (on a forecast vs actual basis), AUM, regulatory capital, income diversity, debt to AUM, operational loss events, compliance monitoring findings, legal claims, staff turnover, data security breaches, suspicious activity report tracking and Pillar II market and credit risk calculations. The metrics set out in the risk appetite statement will be included in the management information to be considered by each risk management level up to the Group Board. In order to ensure that the risk appetite statement remains aligned to Foresight's business plan and overall strategy. It is reviewed annually.

RISKS CONTINUED

Principal risks

Foresight considers its principal risk areas to be:

INVESTMENT LANDSCAPE

Risk description
The opportunity for investment in the markets in which Foresight operates is highly competitive and identifying and consummating investments involves a high degree of uncertainty. Competitors may compete more aggressively than Foresight and the number of available opportunities may fall, causing a higher proportion of Foresight funds' cash to be held for a longer than expected period.

Key controls and mitigation
Foresight has developed a series of networks of reliable contacts over the years, which help source its investment opportunities. Foresight's reputation and track record is also a key factor in identifying Foresight as a counterparty of choice. Foresight has, and continues to, widen its investment focus both geographically and in terms of sectors to optimise its access to investment opportunities and meet its investment strategy/objectives. Foresight actively supports the communities impacted by the activities of its investments, promoting the importance of its ESG values.

Trend and outlook
Competition has increased in recent years, particularly in the infrastructure investment market, and is likely to increase further in the future, due in large part to the increased amount of capital raised by competitors in the Foresight Group's primary markets. However, the outlook remains positive as companies and governments commit to net-zero, and this on its own should deliver compound growth of 20% per annum over the next ten years.

CYBER

Risk description
Foresight employs various systems across its business to process and hold its business data. As a result, it is exposed to external and internal cyber-related risks. Included in these risks are information security and personal data risks. As IT solutions are increasingly used to improve efficiency for the business and the sophistication of attempted cyber-attacks increases, the associated risks increase.

Key controls and mitigation
Foresight has engaged an external IT service provider to support its IT Team and to provide expert advice and assistance with the security, business continuity and architecture of its systems. Various policies are also employed across the business to ensure staff are aware of the measures to be taken to prevent cyber crime, protect Foresight's business data and prevent loss, misuse and corruption of its data. Foresight engages external experts to carry out tests and audits on its security measures, including penetration testing, and has gained ISO 27001 accreditation to verify the standards within its UK operation, which serves as the IT hub for the Group.

Trend and outlook
As the incidence of cyber-crime increases, regulators and business stakeholders are increasingly concerned to ensure businesses employ robust security systems and measures to protect themselves. As the volume and sophistication of cyber threats continues to rise, it is important we keep up to date on protecting our systems by maintaining close engagement with cyber experts, with whom we have a 24x7 retainer and indemnity, so we can tackle unexpected events immediately as well as maintain relevant protection from this evolving risk. Foresight is committed to attain and improve on industry standards of cyber protection including SIEM and Cyber Essentials.

PANDEMIC

Risk description
If a significant number of Foresight Private Equity and Infrastructure fund assets were impacted negatively by the COVID-19 pandemic, this could have a material adverse effect on their value, which in turn could have a material adverse effect on Foresight's business, financial condition and results of operations.

Key controls and mitigation
Where individual funds' investment policies permit, the Investment Committee ensures that each fund has a diverse range of investments, the performance of which should not all be vulnerable to COVID-19-related factors. The institutional and impact funds are not vulnerable to fund outflows, whereas the retail funds are typically protected from significant short-term outflows because of the time restrictions required for the tax benefits to be retained by investors. The listed infrastructure funds are typically attractive to investors during times of market turmoil as they generally display a limited correlation to equity markets.

Trend and outlook
While the COVID-19 pandemic has had a significant adverse impact across many sectors in the UK and elsewhere, with businesses experiencing significant operational disruption (including in some cases temporary closure), severely depressed financial performance and increased risk of insolvency, the worst of the pandemic appears to be over. Most investee companies are seeing increased revenues comparable with pre-pandemic levels in 2019 and fund NAVs are also back at similar levels.

Infrastructure assets have generally demonstrated resilience during COVID-19. Power prices for generation assets have rebounded strongly, contributing to a positive outlook. The Group expects to see demand continue across its business lines, particularly for assets with a positive sustainability profile.

LEGAL/REGULATORY

Risk description
Foresight Group operates in a highly regulated industry and changes in laws or regulations may adversely affect its ability to conduct its business and may impact its results of operations. A failure to comply with applicable laws and regulations could result in material unanticipated losses.

Key controls and mitigation
Foresight maintains a cautious approach to adherence to the relevant rules and regulations. It utilises the services of a regulatory consultant to provide expert advice and to provide Foresight and its compliance team with information on forthcoming regulatory changes and new rules and regulations. The consultant is also engaged to carry out periodic independent reviews of aspects of its regulatory and risk arrangements to ensure they are relevant, up to date and meet current requirements.

Foresight also maintains relations with various legal firms specialising in the areas in which it operates as well as relevant industry bodies to ensure it is aware and can manage the impact of new legal requirements. Foresight employees also receive newsletters, attend seminars and round table discussions, take part in governmental consultations and utilise Foresight's network to ensure their knowledge base remains strong and relevant.

Trend and outlook
Foresight will continue to engage with legal and regulatory experts to ensure the business stays ahead of changes in legislation and regulation affecting its business. It is in the process of expanding its UK compliance team and continues to monitor legal and regulatory resources elsewhere in the Group. It will also continue to keep its legal and compliance resources under review.

ENERGY PRICES

Risk description
In the event of a global market downturn, difficult market conditions could reduce energy prices materially, such that Foresight's fund assets may experience materially decreased revenue generation and a material decrease in the value of such assets.

Key controls and mitigation
Foresight funds' exposure to reduced energy prices is mitigated in the following ways:

- Where a Foresight fund's investment policy permits, constructing a diversified portfolio with assets that generate revenues from sources other than the merchant sale of energy. For generation assets, this may include revenues from subsidies, from the sale of green certificates or through contracting with a private off-taker on a fixed price basis. Non-generation assets will typically have revenues that are uncorrelated with energy markets, removing the exposure altogether
- For generation assets that have material revenues from the merchant sale of energy, entering into arrangements that fix the price received for energy for an agreed period

Trend and outlook
Following a year of depressed energy prices resulting in large part from a reduction in demand for energy brought about by the pandemic and associated lockdowns, energy prices have rebounded strongly in 2021 and are currently higher than they have been for more than two years. The short-term outlook remains positive, as the price of natural gas is predicted to remain high (gas plants tend to be the price-setting generators on the UK network). Longer term, the outlook is uncertain and is affected by factors such as the rate of deployment of low marginal cost renewables such as wind and solar, the speed and extent of electrification of major sectors such as transport and the appetite of government to drive decarbonisation through regulation such as carbon pricing.

CONFLICTS

Risk description
Certain of the Foresight funds are managed on a side-by-side basis, whereby the same investment managers or team manage several Foresight funds with similar investment strategies, which could give rise to conflicts of interest under certain circumstances. The Foresight Group may suffer reputational damage, or potential regulatory liability or litigation, if its procedures and systems to detect such conflicts of interest fail or it fails to deal appropriately with conflicts of interest, or it may determine that it is unable to pursue certain strategies due to such conflicts, any of which may have a material adverse impact on the Foresight Group's business, financial condition and results of operations.

Key controls and mitigation
The Foresight Group addresses investment conflicts by having a mechanistic allocation policy, but if exceptions have to be made, then it is by reference (and approval) to the relevant Foresight funds' boards.

Trend and outlook
In the event that the Foresight Group grows in line with its current strategy, including establishing new funds, pursuing additional investment strategies and attracting new investors, the potential for further conflicts of interest is likely to rise, but this will be incremental to the policy already in place and a necessary consequence of being involved in high growth core markets.

RISKS CONTINUED

INTEREST RATES

Risk description
A number of Foresight funds have historically been funded in part by private debt facilities, which may require refinancing in the future and those funds and any funds to be launched in the future may seek debt financing. Rising interest rates would (and changes in the tax treatment of debt could) increase the associated cost which could have a negative impact on the margins achievable by the funds, and which may have a material adverse effect on Foresight's business, financial position and operational results.

Key controls and mitigation
Foresight funds' exposure to interest rate increases is mitigated in the following ways:

(i) Use of conservative long-term, fully amortising structured project financing, rather than shorter-term corporate debt, reducing the risk of refinancing cost and interest rate increase

(ii) Where possible, ensuring interest rates are sufficiently hedged to protect the relevant fund from fluctuating interest rates when entering into long-term borrowings, including engaging in fixed rate loans, interest rate swaps, or other interest rate derivative contracts, substantially reducing interest rate volatility risk

(iii) When using debt facilities secured on floating interest rates to bridge new acquisitions, by raising equity proceeds to repay outstanding balances in the short and medium term, subject to prevailing market conditions

Trend and outlook
The COVID-19 pandemic has had a significant impact on the economic activity, prolonging the historical period of low inflation and low interest rates.

As the economic indicators improve post-pandemic, inflation rates are expected to increase in the short term, which can result in an increase in interest rates in the medium term. Expectations are that inflation will naturally fall back in 2022 as the strengthening of the economy slows down, easing the pressure for interest rates increases.

PERSONNEL

Risk description
Foresight's continued success depends upon its ability to attract and retain highly skilled investment professionals and other key personnel and failure to retain its senior investment managers, senior management or other key employees, may:

- Trigger provisions in a number of Foresight's agreements, which might result in outflows from Foresight funds
- Hinder Foresight from winning new business and raising new funds, impacting related fee revenue and potentially hindering Foresight's growth strategy
- Result in Foresight's strategy not being executed effectively or at all, or could result in a decline in the standards of its management or business operation

Key controls and mitigation
UK employees may take part in a SIP scheme. The 71% uptake (market average is 41%) is a strong indication that employees wish to develop careers with Foresight. Non-UK employees will be able to access an equivalent SIP scheme.

A large proportion of Foresight's Directors and Partners have five-year retention bonuses, with a decreasing leaver clawback. Also, some senior staff may participate in a Share Option Scheme, which will vest over three years, before a further two years' holding period prior to sale.

At IPO, the Partners and certain Directors were awarded Shares, most of which were subject to a lock-up period.

Future performance bonuses exceeding 50% of salary will be deferred until the following year to aid with retention.

Trend and outlook
The market for experienced and qualified investment, management and other professionals is extremely competitive and therefore such personnel are difficult to attract and replace. Although Foresight intends for overall compensation levels to remain competitive and attractive, there is no assurance its compensation model will be successful going forward.

The IPO and recent growth of Foresight remains a strong driver in attracting talent and will continue to do so for the foreseeable future.

ESG RISK

Risk description
Foresight has sustainability and ESG deeply embedded in its investment processes and in its culture, establishing itself as a leader in this respect. Its focus on sustainability and ESG investment strategies is key to its reputation and long-term success as it promotes and enhances its track record. As regulation of ESG and sustainability issues develop, as well as the change in stakeholders' expectations, Foresight is keen to manage the risks around maintaining that reputation and continuing to be recognised as an ESG-focused business.

Key controls and mitigation
Foresight has developed methodologies for identifying and managing sustainability and ESG risks within its investment processes. It has also appointed a Sustainability and ESG Committee and implemented staff objectives. Additionally, it continues to recruit staff directly to sustainability roles, carries out training, contributes to industry consultations, stays aware of upcoming legislation and ensures staff remain knowledgeable and skilled in areas related to sustainability and ESG as appropriate to their roles. It has signed up to various sustainability initiatives and is required to evidence compliance with related principles.

Trend and outlook
Competition and scrutiny in the sustainability area of investment is rightly increasing. Foresight is committed to ensuring its processes and controls are continually developed and improved to meet regulatory requirements. Also, that staff training and development and active engagement in industry consultations is continued, to bring about positive change. Communication with stakeholders is also key in ensuring Foresight's approach meets their needs and expectations.

VIABILITY STATEMENT

In accordance with the UK Corporate Governance Code, the Directors have carried out a comprehensive and robust assessment of the prospects and viability of the Group.

Process and period for assessing viability

The Directors have assessed the viability of the Group over a three-year period to 31 March 2024, taking account of the Group's current financial position and the potential impact of our principal risks.

The Group's long-term prospects are primarily assessed through the strategic and financial planning process. The main output of this process is the Group's three-year plan, which is produced by the Finance Team with detailed input from Team Heads across each area of the business. The plan is reviewed and challenged by the Executive Committee and Group Board.

The assessment of the Group's viability requires the Directors to consider the principal risks that could affect the Group, which are outlined on pages 76 to 78. The Directors review the principal risks regularly and consider the options available to the Group to mitigate these risks to ensure the ongoing viability of the Group is sustained.

As part of the Internal Capital Adequacy Assessment Process ("ICAAP"), stress testing is performed on the Group's three-year plan, which considers the impact of one or more of the key risks crystallising over the assessment period. Severe but plausible downside scenarios applied to the plan included:

- 50% lower fundraising
- 10% reduction in valuation of the funds managed by the Group
- 25% lower deployment
- A combination of the three scenarios above

Having reviewed the results of the stress tests, the Directors have concluded that the Group would have sufficient resources in each scenario and that the Group's ongoing viability would be sustained. The shift in recent years to a more recurring revenue model with c.90% recurring revenues from evergreen or long-term funds means the Group has a stable baseline profitability. Under all the scenarios above, the Group remains profitable and mitigating actions taken in the event of any of these happening would increase this profitability further.

As at 31 March 2021, the Group balance sheet was strong, bolstered by the primary proceeds from the IPO. The cash balance at year end was £39.4 million and this financial position provides confidence that the Group has sufficient financial resources for the foreseeable future.

Viability statement

Based on the results described above, and in accordance with the provisions of the UK Corporate Governance Code, the Directors confirm they have a reasonable expectation that the Group is well positioned to manage its operations and liabilities as they fall due.

The Directors also consider it appropriate to prepare the financial statements on the going concern basis.

EXECUTIVE CHAIRMAN'S INTRODUCTION

Good governance underpins Foresight's activities, and ensures we act with integrity and deliver value to Shareholders.

Bernard Fairman
Executive Chairman

The Board recognises and promotes the importance of corporate governance, which underpins the activities of the Group in ensuring the organisation acts with integrity and delivers value to its Shareholders. The Board has committed to comply with the FRC's UK Corporate Governance Code (the "Code"), which it believes provides a suitable and rigorous corporate governance framework to support the business and promote the success of its long-term goals. The Board will also seek to comply with the Guide on Board Effectiveness (the "Guide"), which will help evaluate and improve Directors' effectiveness.

The Company Secretary is responsible for monitoring the Board's adherence to the Code and the Guide and for reporting to the Board on its performance.

As envisaged by the Code, the Board has established an Audit & Risk Committee, a Nomination Committee and a Remuneration Committee and has also established a separate Market Disclosure Committee. If the need should arise, the Board may establish additional committees as appropriate. In that regard, the Board has established the Executive Committee, details of which are noted in the Board Committees section below.

The Board

The Board is led by the Executive Chairman and comprises five Directors, of whom three are Non-Executive Directors ("NEDs"). The names, roles and a brief overview of each of the Board members are summarised in the Board of Directors section overleaf.

As the Company has an Executive Chairman, the Senior Independent NED has assumed more "non-executive" responsibilities. The split of duties between them is set out in a document, "Division of Responsibilities Between the Executive Chair and the Senior Independent Director", dated 3 February 2021.

There is also a formal schedule of matters specifically reserved for the Board. Those matters cover areas including:

- Strategic
- Financial
- Treasury
- Legal, administration, pension and other benefits
- Communications with Shareholders
- Executive Group appointments and arrangements

Certain aspects of the above will be dealt with by recommendations from the Audit & Risk, Nomination and Remuneration Committees. A summary of their responsibilities is provided in the Board Committee sections.

UK Corporate Governance Code 2018 – Principles

01 Board leadership and purpose
See pages 82 to 87

02 Division of responsibilities
See page 84

03 Composition, succession and evaluation
See pages 88 and 89

04 Audit, risk and internal control
See pages 90 to 93

05 Remuneration
See pages 94 to 103

The Board and the Committees have access to the services of the Company Secretary, whose responsibilities are described in the Corporate Governance section on page 84. The appointment and/or removal of the Company Secretary is a matter for the Board, dealt with via a recommendation of the Nomination Committee.

The Board has also authorised the Group's Executive Committee to manage the Group on a day-to-day basis. The members of the Executive Committee include the Company's two Executive Directors, albeit the Executive Chairman is non-voting. The names, roles and a brief overview of each of the members are summarised in the Executive Committee section on pages 86 and 87.

Board members

Overleaf is a list of the Directors, which provides details of their role(s) with the Board, an overview of their backgrounds, their qualifications and their external appointments.

The Nomination Committee will review and evaluate the composition of the Board to ensure the appropriate balance of skills and experience. It will also consider the independence of the Board. Given the date of Admission, 4 February 2021, no such evaluation has yet been undertaken.

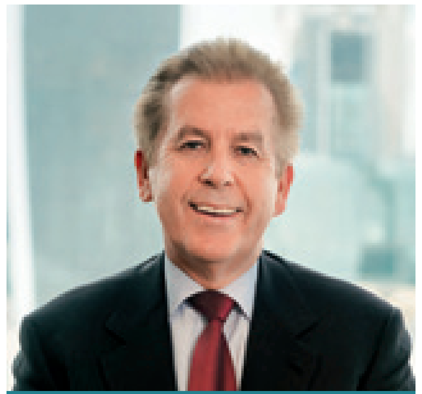
Any new appointments to the Board will result from a formal, rigorous and transparent process by the Nomination Committee, with the final decision resting with the Board.

Bernard Fairman
Executive Chairman

26 July 2021

BOARD OF DIRECTORS

The Board is responsible for shaping the Group's strategy and seeks to encourage a culture of strong governance across the business.



Bernard Fairman
Executive Chairman

Background
Bernard co-founded Foresight Group in 1984 to raise a new fund for investment in unquoted technology companies based in the UK, the United States and France. He is an executive chairman with over 40 years of private equity and infrastructure experience. Bernard is responsible for the strategic direction and management of the Group through organic growth and acquisitions to reach a leading position in the UK small cap private equity and international infrastructure markets.

Prior to founding Foresight Group, Bernard worked at 3i Ventures as an investment manager where he was responsible for sourcing, evaluating and negotiating investments.

Qualifications
BA in Applied Economics from the University of Nottingham.

External Directorships
Calyx Limited, Beau Port Investments Limited.

M

Gary Fraser
Chief Financial Officer and Chief Operating Officer

Background
Gary joined Foresight in 2004 and is the Chief Financial Officer and Chief Operating Officer based in the London office. He has over 27 years of experience and is responsible for all financial and operational matters including providing and facilitating specialist financial input into corporate, portfolio and investment decisions.

Prior to joining Foresight, Gary worked at F&C Asset Management as a company secretary, where he focused on legal and tax compliance, financial compliance, technical and financial reporting and corporate finance. He has also worked at EY, focusing on audit and risk assurance, and corporate finance.

Qualifications
Chartered Fellow of the Securities Institute, Chartered Accountant, BAcc from the University of Stirling.

External Directorships
None.

M

Alison Hutchinson, CBE
Senior Independent Non-Executive Director

Background
Alison is CEO of fintech charity The Pennies Foundation (which she founded in 2009) working with retailers to enable digital giving, a non-executive director of LV= and serves as the senior independent non-executive director at DFS Furniture plc and Yorkshire Building Society.

Alison has a strong background in both IT and retail financial services, having started her career at IBM and becoming global director of online financial services before joining Barclays Bank and then specialist mortgage provider Kensington Group as managing director and then group CEO.

In 2016, Alison was awarded a CBE for services to the economy and charities.

Qualifications
BSc in Technology & Business Studies from Strathclyde University.

External Directorships
DFS Furniture plc, Liverpool Victoria Financial Services Limited, Yorkshire Building Society and Your Penny Limited.

A N R M

Geoffrey Gavey
Independent Non-Executive Director

Background
Geoff joined the Foresight Group Board in 2015 as an independent Non-Executive Director and sits on the Remuneration, Audit & Risk, and Nomination Committees. He is the managing director of FNB International Trustees Limited ("FNB") and deputy head of banking for FNB Channel Islands Bank. He is a member of the audit and risk committee of both FNB International Trustees Limited and FNB Channel Islands Bank.

He was formerly a director of Fairbairn Trust Company Limited, a subsidiary of Old Mutual, and worked for Lloyds Bank International in both Guernsey and Gibraltar.

Qualifications
Associate of the Chartered Institute of Bankers, Member of the Chartered Institute of Marketing, registered Trust and Estate Practitioner, BSc in Mining Engineering from University College, Cardiff.

External Directorships
Ashburton Investments International Holdings Limited plus various directorships of companies serviced by FNB for its clients.

A N R

Michael Liston, OBE ("Mike")
Independent Non-Executive Director

Background
Formerly Chief Executive of the electricity utility, Jersey Electricity plc, Mike is the Non-Executive Chairman of JTC plc and has extensive experience across public and private sector businesses.

Mike has held a number of non-executive roles including Chairman of AIM-listed Renewable Energy Generation Limited and was formerly chairman of The Jersey Appointments Commission, established by the Government of Jersey to ensure probity in senior public sector appointments. He is a Fellow of the Royal Academy of Engineering.

In 2007, Mike was awarded an OBE for services to the electricity industry and charity. He was elected to the judiciary of the Royal Court of Jersey in 2012, retiring from this position in 2017.

External Directorships
JTC plc.

A N R

A Audit & Risk Committee
N Nomination Committee
R Remuneration Committee
M Market Disclosure Committee
Chair

CORPORATE GOVERNANCE

Board roles

Board	Role overview
Executive Chairman	• Identify, develop and propose Group strategy, annual budget, business plans and commercial objectives • Oversight of the Executive Committee's management of the Group and execution of Group strategy • Promote appropriate standards of governance across the Group and ensure compliance with legal and regulatory responsibilities • Ensure timely flow of accurate and reliable information within the Group and with the Board • Health, safety and wellbeing of workforce and workforce engagement • Communication with workforce and ensuring Board awareness of staff views • Board evaluation oversight
CFO/COO	• Supports the Executive Chairman in developing Group strategy, annual budget, business plans and commercial objectives • Serves on the Executive Committee • Responsible for the Group's operations and operational strategy via the Executive Committee
Senior Independent Non-Executive Director	• Acts as a Non-Executive Director • Acts as intermediary for other Directors and the Shareholders to ensure views are communicated and understood • Leads the Board when the Executive Chairman is absent • Designated NED for workforce engagement • Ensures effective communication by the Group with its workforce and stakeholders • Leads on the appraisal of the Executive Chairman's performance and evaluates the same • Contributes to succession planning of the Executive Chairman, the other Directors and the Board's Committees
Non-Executive Directors	• Monitor the Group's delivery of strategy • Ensure internal controls are robust and that an external audit is carried out • Engage with internal and external stakeholders, providing feedback to the Board • Provide constructive input to the development of the Group's strategy • Have a key role in succession planning for the Board and senior management • Serve on the Board's Committees
Company Secretary	• Provides advice and support to the Board as necessary • Ensures timely and accurate information flows to the Board • Ensures compliance with the Company's Board and corporate governance policies • Keeps the Board updated on changes to applicable regulation, legislation and best practice standards • Tailors and carries out comprehensive inductions for new Directors • Provides support to the Chairman • Supports the Chairman with the Board evaluation

Our governance framework

The Board has adopted formal Terms of Reference, which are available to view by writing to the Company Secretary at the registered office, for four standing committees which make recommendations to the Board in specific areas.

The Board

The role of the Board is to collectively promote the long-term success of the Company, generating value for Shareholders and providing effective leadership and direction to the business as a whole. It agrees the Group's strategy, having regard to all stakeholders, while maintaining a balanced approach to risk within a framework of effective controls.

Audit & Risk Committee

Oversees financial reporting and monitors internal controls including risk management. Monitors the effectiveness of the internal and external auditors.

See pages 86, and 90 to 93

Remuneration Committee

Sets, reviews and recommends the Group's overall remuneration policy and strategy and monitors their implementation.

See pages 86, and 94 to 103

Nomination Committee

Evaluates and makes recommendations regarding Board and Committee composition and succession planning.

See pages 86, and 88 to 89

Market Disclosure Committee

Oversees disclosure of information by Foresight Group Holdings Limited to meet its regulatory obligations.

See page 86

Executive Committee

The Executive Committee is responsible for the day-to-day running of the business. The Committee meets weekly and receives regular reports on risks to major projects, financial and key business matters.

Independence of the Board

The independence of the NEDs was judged against the requirements of the Code at the time of the IPO and each Non-Executive Director was considered to be independent. The Board is satisfied that there have been no subsequent changes that would affect that judgement.

Board meeting attendance

For the period between the listing on 4 February 2021 and the financial year end, 31 March 2021, there were no formal meetings. A pre-IPO Board meeting was held on 3 February 2021 and a Board meeting and Audit & Risk Committee meeting were held on 1 April 2021. All Board members attended both Board meetings and Audit & Risk Committee members plus the CFO attended the Audit & Risk Committee meeting.

Board evaluation

The Board is committed to carry out an annual Board evaluation which would be undertaken by the Nomination Committee. Please see the Nomination Committee report on page 88.

CORPORATE GOVERNANCE CONTINUED

Internal controls

The Board is responsible for the Group's system of internal controls. This includes its financial, operational and compliance controls and risk management, and also for reviewing the system's effectiveness. The Group's UK policies set the minimum best practice standard for all Group entities, including where policies are required by regulators local to the Group's regulated entities.

The Board takes advice from external advisers where considered necessary in all areas of the business. The Board is satisfied with the effectiveness of the internal controls but, by their very nature, these procedures can provide reasonable, but not absolute, assurance against material misstatement or loss.

Board Committees

Audit & Risk Committee

The Audit & Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to external audits and internal controls and risk management, including management. This includes annual financial statements and risk appetite, considering the scope of the annual audit and the extent of the non-audit work undertaken by the External Auditor, advising on the appointment of the External Auditor and reviewing the effectiveness of the internal control systems (including risk management processes) in place within the Group. The Audit & Risk Committee will normally meet not less than three times a year.

Nomination Committee

The Nomination Committee assists the Board in determining the composition and make-up of the Board. It is also responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise. The Nomination Committee also determines succession plans for the Board. The Nomination Committee will normally meet not less than once a year.

Remuneration Committee

The Remuneration Committee recommends what policy the Company should adopt on executive remuneration, determines the levels of remuneration for each of the Directors and recommends and monitors the remuneration of members of the Group's senior management. The Remuneration Committee will also prepare an annual remuneration report to be approved by the members of the Company at the Annual General Meeting ("AGM"). The Chair of the Remuneration Committee will be available at Annual General Meetings of the Company to respond to questions from Shareholders on the Remuneration Committee's activities. The Remuneration Committee will normally meet no less than twice a year.

Market Disclosure Committee

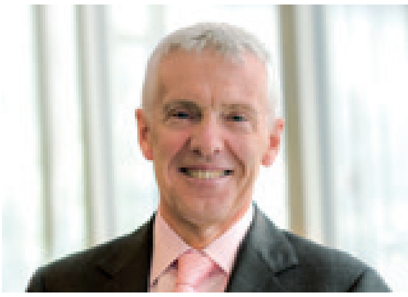
The Board has delegated to the Committee responsibility for overseeing the disclosure of information by the Company to meet its obligations under MAR. The Committee is required to maintain procedures, systems and controls for the identification, treatment and disclosure of inside information and for complying with the obligations falling on the Company and its Directors and employees under MAR. The Committee meets as necessary or appropriate as determined by its Chair, Bernard Fairman. It is authorised to investigate any matter within its terms of reference and to seek any information it requires from any employee of the Company in order to perform its duties and all employees are directed to co-operate with any request made by the Committee.

The Committee will conduct an annual review of its work, membership and terms of reference to ensure it is operating at maximum effectiveness. It will also make recommendations about any changes it considers necessary to the Board.

Executive Committee

The Executive Committee, under the oversight of the Group's Executive Chairman, and within the authority delegated by the Board, has been tasked with the management of the Group on a day-to-day basis; in particular, to pursue the Group's commercial objectives and execute and deliver Group strategy, as approved by the Board, and to provide periodic updates to the Board accordingly.

The Committee's membership includes Board members Bernard Fairman (Group Executive Chairman) and Gary Fraser (CFO/COO), together with:



David Hughes,
Chief Investment Officer

- David joined the Group in 2004 and is a member of Foresight Group LLP and the Group's Chief Investment Officer. He is based in the London office. He has over 45 years of experience and is responsible for the overall management of the Foresight Group investment portfolio through the complete investment cycle from initial investment to ultimate realisation.
- Prior to joining Foresight, David worked at Advent Venture Partners as a Principal in the VCT Unit, where he was responsible for managing Advent's two listed VCTs, comprising a portfolio of over 30 unquoted investments, mainly in technology companies. He also spent almost 20 years working at 3i, where he provided advice to public and private companies on corporate strategy, acquisitions, disposals, mergers and capital raising.
- David is a Fellow of the Chartered Association of Certified Accountants and holds a First Class BSc in Chemistry from the University of Bristol.

Nigel Aitchison,
Head of Infrastructure

- Nigel joined Foresight in September 2008 and is Head of Infrastructure based in the London office. He has over 30 years of experience covering specific areas such as waste management, project finance and fund management.
- Prior to joining Foresight, Nigel was a director within Shanks Group where he was responsible for strategy and managing relationships with key stakeholders for the UK business. Prior to that he led the management of their PFI division both in terms of bidding and operational profit and loss responsibility.
- Nigel is a Chartered Environmentalist and a member of the Chartered Institute of Waste Management. He also holds a Diploma with Distinction in Environmental Science from Crewe and Alsager College.

Russell Healey,
Head of Private Equity

- Russell joined the Group in 2007 and is Head of Private Equity based in the London office. He has 25 years' experience.
- Prior to joining Foresight Group, Russell worked at merchant bank Parkmead Group, where he was involved in a number of corporate and principal finance projects. Before that, he spent ten years in technology and marketing management positions, including four years with Thomson Financial, following its acquisition of a financial information company where he was CTO.
- Russell holds an MBA with Distinction from the London Business School, and a BA in Classics from the University of Exeter.

NOMINATION COMMITTEE REPORT

The Nomination Committee believes that the Board has the right balance of knowledge and experience to enable Foresight Group to deliver growth, generate value for all stakeholders and to develop a diverse and talented workforce.

Mike Liston, OBE
Chair of the Nomination Committee

Dear Shareholders,

I am pleased to present the first report of the Nomination Committee for the year ended 31 March 2021. The Committee had been in existence for just a few weeks at year end, so my focus here aims primarily to provide forward insight into intent.

Our first priorities

We regard our purpose to be ensuring that leadership within the organisation does not only have the credibility and capacity to deliver results today but is fit for the future. We will therefore take care to ensure that the Company's evident and anticipated high growth rates are sustained by adequate human resource.

We recognise the specific responsibility we have under the recent revisions to the UK Corporate Governance Code, for succession planning, including overseeing the building of a diverse pipeline of talent beyond the Board.

We are highly confident that the commitment of the Company's senior executive team remains as strong now as it has throughout its three decades in private ownership – not least because of the "Founder's culture", which prevails throughout the long-established team around the Chairman. Notwithstanding this and the further stakeholder alignment provided by the Executive Directors' shareholdings of approximately a third of total equity in the Company (which are subject to lock-up restrictions), the Committee will review preparedness for eventual succession, planned or otherwise, to include talent development from within, as well as attractiveness to talent outwith the Company.

The Company has recently strengthened its policies and procedures to formalise what has, hitherto, been a naturally occurring culture in favour of diversity and inclusion. Although not fully evident in the initial constitution of the Board, the Committee is determined to demonstrate cognitive competence in this important area.

Composition

The Committee was formed on 3 February 2021 as part of the preparations for the Company's Admission. Its membership comprises me as Chairman, alongside fellow Non-Executive Directors Alison Hutchinson and Geoffrey Gavey. The composition of the Committee meets with the requirements of the Code, including in relation to independence, and the continued appointment of each member is subject to their re-election at the next AGM.

Committee meetings

Committee meetings may be attended by the Executive Directors on invitation and shall deal with the matters set out in the Committee's Terms of Reference, which can be found on Foresight's website: **https://www.fsg-investors.com/corporate-governance**. The minimum number of meetings required to take place per year is one.

There were no official meetings of the Committee in the financial year to 31 March 2021 due to its very short tenure, however much relevant discussion took place prior to and following the Company's Admission which informed priorities for our work thereafter.

Responsibilities

The Committee is responsible for ensuring that skills are appropriately and continuously reassessed to meet the evolving strategic needs of the organisation, while embracing the underlying imperative to create, retain and protect value for the benefit of both its Shareholders and wider stakeholders.

Board appointments

In accordance with its Terms of Reference, the Committee will make recommendations to the Board for any new Director and when considering Board appointments and succession planning, the Committee will have regard to the composition and structure of the Board, as well as the Board's balance of skills and experience.

Succession planning

The Committee will provide input to the succession plan noted as an action for the Remuneration Committee, which will look forward two to three years once the IPO lock-up arrangement ends. It will work with senior management at Foresight, including the Head of People, in that regard. Succession planning beyond that point will also be considered, taking account of the changing needs of the business as it develops and grows.

Diversity

In recognition of the Group's commitment to D&I, a D&I Committee was formed pre-Admission, chaired by a member of the Executive Committee. Working in conjunction with the Group's HR Team, the Group has been able to focus on developing its talent base in various D&I areas such as (but not limited to) gender, religion and ethnicity. Staff provide this data on a voluntary basis, which the Group considers to be supportive of staff privacy. The data is also provided on the basis that any reporting/statistics produced will be strictly anonymous and that the data can be deleted by them at any time. More details of the Group's approach to D&I can be found on page 57.

In relation to the Board, of its five members, one member is female, resulting in a 20% representation. The Committee will consider D&I in relation to Board evaluations and any potential Board appointments.

Board evaluation

A thorough assessment of the Board members was carried out during the pre-Admission selection process and the Committee confirms its view that the Board as a whole is comprised of members with the appropriate balance of experience, skills and capabilities to discharge its duties effectively and contribute to the Company's current strategic objectives. Formal Board effectiveness evaluations will be undertaken annually, with independent oversight at least every three years.

On behalf of the Nomination Committee

Mike Liston
Chair of the Nomination Committee

26 July 2021

AUDIT & RISK COMMITTEE REPORT

The Audit & Risk Committee will play a key role in developing Foresight Group's risk management and governance framework and ensuring the integrity of its financial reporting and internal controls through the scrutiny, monitoring and review of its systems.

Geoffrey Gavey
Chair of the Audit & Risk Committee

Dear Shareholders,

I am pleased to present the first report of the Audit & Risk Committee for the year ended 31 March 2021.

Composition

The Committee was formed on 3 February 2021 as part of the preparations for the Company's Admission. Its members are me as Chairman alongside fellow independent NEDs, Alison Hutchison and Mike Liston.

The UK Corporate Governance Code recommends that all members of the Audit & Risk Committee be Independent Non-Executive Directors, that one such member has recent and relevant financial experience and that the Committee as a whole shall have competence relevant to the sector in which the Company operates. Whilst no member of the Audit & Risk Committee has an accounting or audit qualification, the Board considers that the Company complies with the requirements of the UK Corporate Governance Code, as I have recent and relevant financial experience, being a member of the Audit & Risk Committee at other companies. The absence of a member of the Audit & Risk Committee with an accounting and/or audit qualification will be kept under periodic review by the Board.

Committee meetings

The Committee meets three times per year and at such other times as the Chair of the Committee requires. The Company's External Auditor or Chief Risk Officer ("CRO") may request a meeting if they consider it necessary.

The Committee held an initial introductory meeting on 22 March 2021 where they met with the core members of staff from the Company's Finance Team, plus the External Auditor, BDO LLP ("BDO"). A formal meeting was then held on 1 April 2021 where BDO presented their audit planning document and the Committee discussed key areas of risk and significant accounting matters.

Responsibilities

As part of the preparation for Admission, Terms of Reference ("ToR") were defined and documented for the Committee, which reflect the current statutory requirements and best practice appropriate to a group of Foresight's size. The Committee is principally responsible for the following:

(i) Considering and reporting any significant issues that arise in relation to the audit of the financial statements

(ii) Reviewing the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems

(iii) Considering the need for an internal audit function

(iv) Reviewing the independence and effectiveness of the external audit process, including the provision of any non-audit services

A copy of the ToR can be found at **https://www.fsg-investors.com/corporate-governance#BoardCommittees**

(i) Significant financial reporting areas

The key areas of risk identified and considered by the Committee in relation to the business activities and financial statements of the Group for the year ended 31 March 2021 were as follows:

Area of focus	Comments and conclusions
Revenue recognition (management and secretarial fees; marketing fees; Directors' fees; arrangement fees; and performance fees)	**Management fees** Revenue is recognised in line with the investment management or advisory agreements in place with the appropriate funds. These are typically based on the Net Asset Values ("NAV") or committed capital of Limited Partnership funds managed or advised by the Group. Where NAV is used, it is typically the last audited or publicly available NAV and is approved by the independent boards of the relevant companies. **Secretarial fees** Relate to services provided to the Foresight funds (such as company secretarial, accounts preparation, administration, etc) and are generally driven by Funds Under Management ("FUM") and calculated as a percentage of NAV or as a fixed fee depending on the terms of the individual contract agreements. **Marketing fees** These are initial fees recognised as a percentage of funds raised on the tax-based retail products. **Directors' fees** Relate to services provided by Foresight staff where they are appointed as Directors on the boards of portfolio companies in which the Foresight funds invest. The fees are recognised in line with the contractual agreements between Foresight and the portfolio companies. **Arrangement fees** Earned by Foresight for its role in arranging certain deals (including capital deployments, fundraisings and refinancings), based on a percentage of the capital raised/deployed/refinanced. **Performance fees** Usually one-off in nature and earned from carried interest arrangements and on exit/realisations. Performance fees are recognised only at the point in time when the Group has certainty as to the receipt of such revenue, such that it is highly probable that a significant reversal in the amount of revenue recognised will not occur. No performance fees were recognised during 2021. Following discussions with management and review of the Group's controls and procedures as part of preparing for Admission (including review of the FPPP report), the Committee is comfortable that revenue has been properly recognised in the financial statements in line with the Group's accounting policies.
IFRS conversion and implementation of IFRS 16 Leases	As part of the preparation for Admission, the Group adopted IFRS with a transition date of 1 April 2019. The most significant numerical impact of the conversion to IFRS was in relation to the adoption of IFRS 16 Leases. Judgement is required in the estimate of the incremental borrowing rate applied in determining the discount rate to apply to lease liabilities. As part of the IPO process, a detailed IFRS conversion exercise was undertaken with support from external advisers. Following discussions with management and review of the Group's controls and procedures as part of preparing for Admission (including review of the FPPP report), the Committee has concluded that the financial statements have been accurately presented in accordance with IFRS.

AUDIT & RISK COMMITTEE REPORT CONTINUED

Responsibilities continued

(i) Significant financial reporting areas continued

Area of focus	Comments and conclusions
Recognition and measurement of intangible assets	The Group acquired PiP Manager Limited during the year. The acquisition was accounted for as a business combination under IFRS 3 and resulted in the recognition of an intangible asset of £2.88 million. The valuation of the intangible asset was determined by using a simplified Multi-period Excess Earnings Method ("MEEM"). Following discussions with management and review of the Group's controls and procedures as part of preparing for Admission (including review of the FPPP document), the Committee is comfortable that there are no indications of impairment at 31 March 2021.
Fair value of investments in underlying funds	The Group has various "co-investments" in underlying Limited Partnership funds. The fair value of these investments is based on the NAV of the respective funds. There is some element of judgement involved in arriving at the valuation of the investments held by these funds, but the Committee was comfortable with the processes and controls in place across the Group, as evidenced by the ISAE 3402 report produced for the period ended 31 March 2021. Comfort was also obtained by the fact that these funds were externally audited during the year.
Group restructuring	During the year, a Group restructuring took place in connection with the IPO. A detailed exercise was conducted with external advisers (including lawyers and tax advisers) ahead of the restructuring. As part of the IPO process, the Committee reviewed the step-plans and associated documentation relating to the Group restructure and was comfortable with proceeding as planned.
COVID-19 and going concern	The potential impact of COVID-19 on the Group has been under continuous assessment by senior management and the Board. Foresight and its key service providers implemented their business continuity plans successfully with no noticeable disruption to services. Although the Group's performance has been resilient during this period, it was not entirely unaffected by the impact of the COVID-19 pandemic. For example, the Group experienced a decrease in retail fundraising by its OEICs in the period immediately following the imposition of lockdown conditions in the UK, but this quickly recovered in subsequent months to levels seen in the previous year. As demonstrated by the revenue, profit and AUM growth year-on-year, the business has gone from strength to strength despite the underlying macroeconomic environment and the Committee is satisfied with the basis of the Viability statement set out on page 79 of the Strategic Report.

(ii) Risk management and internal controls

Each business function identifies areas of risk across the Group and such risks remain under the review of the Risk Management Committee and other committees, with escalation to the Executive Committee and Audit & Risk Committee as required.

The Board has ultimate responsibility for the effective management of risk, including determining the Group's risk appetite, identifying key strategic and emerging risks, and reviewing Foresight's risk management and internal control framework. For information on the Group's principal risks and uncertainties please refer to pages 76 to 78 of the Strategic Report.

In preparation for the IPO, the Committee reviewed the principal risks identified by the Group in the Prospectus and going forward will assist the Board in its assessment of the effectiveness of the Group's risk management and internal control processes and in determining their adequacy (or otherwise).

As part of this process, the Committee will rely on a number of different sources, including the production of the periodic ISAE 3402 report, as well as third parties providing additional support in specialist areas such as tax, risk, compliance and governance.

The Committee provides its confirmation to the Board that it has reviewed the effectiveness of the systems of internal control, including financial, operational and compliance controls, and risk management for the reporting period, as required under the provisions of the Code.

(iii) Internal audit

Taking account of the nature, scale and complexity of the Group's business, Foresight does not currently have a dedicated internal audit function. However, the Committee keeps this under constant review and expects to establish an internal audit function in the future as the business continues to grow.

From a regulatory viewpoint, the Group's external regulatory adviser performs an audit role and has also been recently engaged to conduct a thorough review of the Group's risk management processes. To ensure CASS rules are followed, an independent review is performed by the internal compliance function as part of its annual compliance monitoring plan.

In addition, on a periodic basis, Foresight prepares a controls report in accordance with International Standards on Assurance Engagements (ISAE 3402) which is also reviewed by BDO. This report describes the controls in place for processing investment transactions across the Group including the procedures in place to deal with conflicts of interest. The most recent report was produced and audited for the 18-month period to 31 March 2021 and, going forward, this report will be produced on an annual basis.

(iv) External audit, including non-audit services

The Committee is responsible for ensuring that the External Auditor provides an effective audit of Foresight's financial statements, including overseeing the relationship, and evaluating the effectiveness of the service provided and its ongoing independence.

The year ended 31 March 2021 is the first year that the Group has produced audited consolidated accounts at the Foresight Group Holdings Limited level, but BDO have audited the principal trading business within the Group (Foresight Group LLP) since 2019 and Peter Smith has been BDO's senior statutory audit partner since then. The External Auditor is required to rotate its engagement partner at least every five years, and the audit partner will change in 2024 in line with these requirements.

In assessing the quality and effectiveness of the external audit, the Committee reviewed the audit team's demonstrated competence, experience, diligence, objectivity, professional scepticism, current knowledge and its relationship with the Executive Directors and senior management. In particular, the Committee met with the lead partner to review the audit scope and audit findings, provide challenge, and assess the depth of review provided by BDO over the significant judgements and estimates made by management.

BDO confirmed its independence and objectivity from Foresight during the reporting period and both the Committee and the Board are satisfied that BDO has adequate policies and safeguards in place to ensure its objectivity and independence are maintained.

When assessing the independence of BDO, the Committee considered, amongst other things, the value of non-audit fees provided by BDO, and the relationship with them as a whole. The provision of non-audit services is considered by the Committee in line with the recommendations of the Financial Reporting Council's ("FRC's") Guidance on Audit Committees (2016) and the requirements of the FRC's Revised Ethical Standard (2019) (the "Ethical Standard"). An external audit firm will only be appointed to perform a non-audit service when doing so would be consistent with both the requirements and overarching principles of the Ethical Standard, and when its skills and experience make it the most suitable supplier. Details of the fees paid to BDO for audit and non-audit services are shown in note 6 of these Financial Statements. The non-audit services provided by BDO for the year ended 31 March 2021 related to an assurance report on the internal controls environment of the Group in accordance with ISAE 3402; assurance procedures in respect of the half year for the purposes of the IPO Prospectus; and the annual CASS audit.

The Committee is also responsible for recommending to the Board the appointment, reappointment and removal of the External Auditor. The Committee has recommended to the Board that, subject to Shareholder approval at the 2021 AGM, BDO be reappointed as External Auditor of the Group for the forthcoming year.

On behalf of the Audit & Risk Committee

Geoffrey Gavey

Chair of the Audit & Risk Committee

26 July 2021

REMUNERATION COMMITTEE REPORT

The Remuneration Committee's aim is to review the performance of the Executive Group and set their remuneration to promote Foresight Group's continued development and delivery of its strategy.

Mike Liston, OBE
Chair of the Remuneration Committee

Dear Shareholders,

I am pleased to present the inaugural report of the Remuneration Committee for the year ended 31 March 2021. The Committee had been in existence for just a few weeks at year end so my focus here aims primarily to provide forward insight into intent.

Our first priorities

The remuneration policies and principles proposed in the Prospectus at the time of Admission in February 2021 were for good reason little different to those which have served the Group well throughout its previous three decades as a highly successful private enterprise. The Committee has been impressed by the quality of executive talent across the Group, the visibility of which has been greatly assisted by the openness with which Non-Executive Directors are invited to observe all management meetings across the entire business – a facility aided as much by the evident culture of transparency in the Group as by the technology which has enabled its seamless transition to working from home during the COVID-19 pandemic.

We observe that the current remuneration policies and practices are consistent with those used in Foresight's industry, within which it is respected as a thought-leader, and are compliant with the UK Governance Code. We see too that the Group continuously monitors trends in the global market from which it recruits and retains talent. The Group's Remuneration Policy is being submitted for Shareholder approval at the AGM on 26 August 2021. Assuming the policy is approved, it will take effect from the date of the AGM and further details will be included in the Annual Report and Financial Statements for the year ended 31 March 2022.

We note that the relatively modest and fixed nature of the Executive Directors' pay makes performance incentives heavily reliant on their substantial current shareholdings. Whilst we observe that their behaviours are strongly aligned with all stakeholders, we will consider the longer-term implications for attracting executive talent more accustomed to performance-targeted cash bonuses and share awards.

Notwithstanding that Foresight achieved its performance targets despite the COVID-19 pandemic and increased its planned dividend payout for the current year, the Executive Directors have elected not to benefit from the Group's Performance Share Plan in the current year.

Composition

The Committee was formed on 3 February 2021 as part of the preparations for the Company's Admission. Its membership comprises me as Chairman, alongside fellow Non-Executive Directors Alison Hutchinson and Geoffrey Gavey.

The UK Corporate Governance Code (the "Code") recommends that before appointment as Chair of the Remuneration Committee, the appointee should have served on a remuneration committee for at least 12 months. I fulfil this requirement, having served on the remuneration committee of JTC Group for in excess of 12 months.

Committee meetings

The Committee will meet at least twice each year, inviting such attendees, in an advisory capacity, as are considered necessary and appropriate to the business to be discussed.

There were no official meetings of the Committee in the financial year to 31 March 2021 due to its very short tenure, however much relevant discussion took place prior to and following the Group's Admission which has informed priorities for our work henceforth. A formal meeting held post year end on 10 June 2021 approved the implementation of the Group's Performance Share Plan ("PSP") as outlined in the Prospectus at Admission.

Responsibilities

As part of the preparation for Admission, Terms of Reference ("ToR") were defined and documented for the Committee, which reflect the current statutory requirements and best practice appropriate to a group of Foresight's size. A copy of the ToR can be found at **https://www.fsg-investors.com/corporate-governance#BoardCommittees**

The Committee is principally responsible for determining, in accordance with the principles and provisions of the Code, the policy for the Directors' remuneration and setting remuneration for the Executive Chair of the Board, Executive Director(s) and senior management (as defined in the Code), being the Executive Committee and the Company Secretary (the "Executive Group"). No member of the Executive Group is involved in any decisions as to their own remuneration.

The Board itself, or, where required by the Articles of Association, the Shareholders, determine the remuneration of the Non-Executive Directors, within the limits set in the Articles of Association.

In determining the Executive Director remuneration policy and practices (including for the Executive Chair), the Committee ensures the following is addressed:

- **Clarity**: remuneration arrangements should be transparent and promote effective management with Shareholders and the workforce
- **Simplicity**: remuneration structures should avoid complexity and their rationale and operation should be easy to understand
- **Risk**: remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentive plans, are identified and mitigated
- **Predictability**: the range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the policy
- **Proportionality**: the link between individual rewards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance
- **Alignment to culture**: incentive schemes should drive behaviours consistent with Company purpose, values and strategy

The Executive remuneration for the year just ended and the year ahead is described in more detail later in this report, and the Committee is of the view that the current Executive remuneration packages address all the points outlined above.

The Committee also reviews (i) pay and employment conditions and remuneration trends across the Group, especially when determining annual salary increases; and (ii) the alignment of workforce incentives and rewards with culture.

Remuneration policy

This section sets out the Company's Remuneration Policy for Executive and Non-Executive Directors. The policy will be submitted for Shareholder approval at the Company's annual general meeting on 26 August 2021, at which point, if approved, it will become effective and will remain effective for three years from that date.

The Remuneration Committee has decided, as a matter of good corporate governance, to adhere to the requirements of the UK remuneration reporting regulations whenever practicable although, as a Guernsey registered company, the Company is not technically required to do so. The UK remuneration reporting regulations contain provisions which make Shareholder approval of the policy of UK-incorporated companies binding. As the Company is not UK incorporated those provisions have no legal effect. However, the Company will limit the power of the Committee so that, with effect from the date on which the policy on remuneration is approved by Shareholders, the Committee may only authorise payments to Directors that are consistent with the policy as approved by Shareholders. In that way the Company considers the vote of Shareholders on the policy to be binding in its application.

The Policy explains the purpose and principles underlying the structure of remuneration packages and how the Policy links remuneration to the achievement of sustained high performance and long-term value creation.

Overall remuneration is structured and set at levels to enable Foresight to recruit and retain high calibre colleagues necessary for business success whilst ensuring that:

- Our reward structure, performance measures and mix between fixed and variable elements is comparable with similar organisations
- Rewards are aligned to the strategy and aims of the business
- The approach is simple to communicate to participants and Shareholders
- Particular account has been taken of structures used within FTSE 350 companies and other comparable organisations
- The incentive structure for senior management does not raise ESG risks by inadvertently motivating irresponsible behaviour – the Committee is able to consider corporate performance on ESG issues when setting Executive Directors' remuneration

Executive Directors

Remuneration	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	Provides a set level of remuneration sufficient to attract and retain Executives with appropriate experience and expertise.	The Committee will consider a number of factors when setting and reviewing salaries, including: • Scope and responsibility of the role • Any changes to the scope or size of the role • Salary levels for similar roles within appropriate comparators • Value of the remuneration package as a whole	There is no maximum to salary levels or salary increases. Account will be taken of increases applied to colleagues as a whole when determining salary increases for Executive Directors. However, the Committee retains the discretion to award higher increases where it considers it appropriate, particularly where salary at the outset has been set at a relatively low level.
Pension	Provides a competitive remuneration package sufficient to attract and retain the most talented people with appropriate experience and expertise.	N/A – The Executive Directors have waived their entitlement to a pension.	N/A – The Executive Directors have waived their entitlement to a pension.
Benefits	Provides benefits sufficient to attract and retain Executives with the appropriate experience and expertise.	Executive Directors are currently entitled to the following benefits: • Partial private medical insurance • Certain de minimis benefits in kind Executive Directors may also be eligible to participate in the Group Performance Share Plan at the discretion of the Committee.	The Committee recognises the need to maintain suitable flexibility in the benefits provided to ensure it is able to support the objective of attracting and retaining personnel in order to deliver the Company strategy. The maximum will be set at the cost of providing the benefits described. One-off payments such as legal fees or outplacement costs may also be paid if it is considered appropriate.

Other employees

Remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Base salary	Provides a set level of remuneration sufficient to attract and retain the most talented people with appropriate experience and expertise.	Base salaries are reviewed annually on 1 August. When conducting the annual salary review for all staff, account is taken of the external market (including market data provided by independent advisers) and individual performance.	When benchmarking roles against the external market, salary bands stating a minimum and maximum will be agreed for each role. Account will also be taken of increases applied to colleagues as a whole when determining salary increases across the business.	In addition to the benchmarking exercise, individual performance will also be considered, including financial, operational, strategic and individual goals set at the start of the year.
Pension	Provides a competitive remuneration package sufficient to attract and retain the most talented people with appropriate experience and expertise.	Staff below Partner grade are entitled to participate in the Group's pension scheme. As part of the government's pension auto-enrolment programme, all new starters (if eligible) are automatically enrolled into the scheme.	The Group contributes up to 8% of qualifying earnings into the pension scheme.	N/A
Annual bonus	Variable remuneration that rewards the achievement of annual financial, operational, and individual objectives integral to the Group strategy.	Objectives are set annually based on the achievement of strategic goals. At the end of the year, the Committee meets to review performance against the agreed objectives and determines pay-out levels.	In the event that staff are in receipt of a bonus equating to more than 50% of their base salary then this additional amount (above 50%) will be deferred.	Awards are based on financial, operational, strategic and individual goals set at the start of the year. The Committee reserves the right to make an award of a different amount produced by achievement against the measures if it believes the outcome is not a fair reflection of Company performance. The split between these performance measures will be determined annually by the Committee.
Share incentive plan ("SIP")	The Company attaches considerable importance to the role of performance-based bonuses to drive profitability and business growth and to the importance of wider all employee share and/or performance-based incentives to align employees' interests with the interests of Shareholders. The SIP has been adopted to further those aims.	UK employees of the Company and its subsidiaries will be eligible to be granted an award under the SIP at the discretion of the Committee. Executive Directors and Senior Managers are not eligible to participate in the SIP.	The SIP is an HMRC-approved scheme, whereby UK employees can purchase up to £1,800 of partnership shares per tax year, with the Group then awarding two free matching shares for each partnership share purchased.	Shares need to be held for three to five years to benefit from the advantageous HMRC tax treatment.

Remuneration policy continued

Other employees continued

Remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics
Performance share plan ("PSP")	Variable remuneration designed to incentivise and reward the achievement of long-term targets aligned with shareholder interests. The PSP also provides flexibility in the retention and recruitment of Executive Directors.	Awards granted under the PSP vest subject to achievement of performance conditions measured over a three-year period. PSP awards may be made as conditional share awards or in other forms (e.g. nil cost options) if it is considered appropriate. Accrued dividends may be paid in cash or shares, to the extent that awards vest. The Committee may adjust and amend awards in accordance with the PSP rules. Malus and clawback provisions may be applied in exceptional circumstances.	In any financial year, the total market value of shares over which awards can be made under the PSP to any participant cannot normally exceed 150% of their annual base salary, but the plan rules will allow the Remuneration Committee the discretion to award up to 300% of annual base salary in exceptional circumstances.	PSP Options will vest depending on the Company's total shareholder return ("TSR") Performance. The Committee has determined the percentage that would vest as set out on page 102.

Notes to the Policy table

As described in this Policy, the Committee may exercise its discretion to (i) determine the size of the annual bonus and PSP awards; (ii) set the performance measures and targets attaching to the annual bonus and PSP awards; (iii) amend those performance measures and targets during a year if they are no longer considered a fair measure of performance; (iv) override the formulaic outcomes of performance measures and targets (where applicable) to ensure that payments under the annual bonus plan reflect the underlying performance of the business or of the Executive Director concerned; (v) apply malus and clawback; (vi) adjust the Shares subject to the SIP and PSP awards in the event of a variation of a corporate event by the Company; (vii) apply a holding period where appropriate; (viii) act within the terms of Termination Policy; and (ix) act within the terms of the Recruitment Policy. Additionally, the Committee may exercise its discretion in order to make such other non-material decisions affecting the Executive Directors' awards in order to facilitate the administration of the annual bonus, PSP and SIP respectively. Any and all decisions will be made in compliance with the Company's policies and in accordance with the applicable plan rules. Use of discretion will be disclosed in the relevant Directors' Remuneration Report.

Legacy matters

The Committee reserves the right to make any remuneration payments where the terms of the payment were agreed (i) prior to the Company's IPO, or (ii) before the Policy came into effect, or (iii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. This does not apply to pension contributions for new appointments to the Board. Details of any such payments will be set out in the Annual Report on Remuneration as they arise.

Shareholder dialogue

The Committee is committed to ongoing dialogue with Shareholders and welcomes feedback on our Executive Directors' remuneration. We will seek to engage with major Shareholders and their representative bodies on changes to our Policy. The Committee will also consider Shareholder feedback on remuneration-related resolutions following each year's annual general meeting. This, along with any additional feedback received (including on any updates to Shareholders' remuneration guidelines), will be considered as part of our annual review of our Remuneration Policy and its implementation. The Committee also actively monitors changes in the expectations of institutional investors and considers good practice guidelines from institutional Shareholders and Shareholder bodies.

Remuneration Policy for other employees

As with the Executive Directors, salary for other employees is set at a level sufficient to attract and retain them, taking into account their experience and expertise. Remuneration packages comprise salaries plus cash bonuses and/or employee share awards.

The Group regards membership of its share plans as a key part of its reward strategy which also aligns with the interests of employees and other stakeholders. Most employees receive benefits such as a contribution towards private medical cover and life assurance.

Recruitment policy

Consistent with best practice, new senior management hires (including those promoted internally) will be offered packages in line with the Remuneration Policy in force at the time. It is the Committee's policy that no special arrangements will be made, and in the event that any deviation from standard policy is required to recruit a new hire, approval would be sought at the AGM.

The Committee recognises that it may be necessary in some circumstances to provide compensation for amounts foregone from a previous employer ("buyout awards"). Any buyout awards would be limited to what is felt to be a fair estimate of the value of remuneration foregone when leaving the former employer and would be structured so as to be, to the extent possible, no more generous in terms of the fair value and other key terms (e.g. time to vesting and performance targets) than the incentives it is replacing.

Termination policy

In the event of termination, service contracts provide for payments of base salary and benefits only over the notice period.

There is no contractual right to any bonus payment in the event of termination although in certain "good leaver" circumstances the Committee may exercise its discretion to pay a bonus for the period of employment and based on performance assessed after the end of the financial year.

The default treatment for any share-based entitlements under the Share Plans is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, or at the discretion of the Remuneration Committee, "good leaver" status can be applied. In these circumstances a participant's awards will, ordinarily, vest subject to the satisfaction of the relevant performance criteria and on a time pro-rata basis, with the balance of the awards lapsing.

Share ownership guidelines

In accordance with good practice and further aligning Executive Directors with the long-term interests of the Company, Executive Directors are required to build or maintain a shareholding equivalent to at least 150% of their annual base salary. Both Executive Directors hold a significant shareholding, as detailed on page 100.

Appointment of Directors

At every AGM, each of the Directors on the Board will retire. A Director who retires at an Annual General Meeting may be re-appointed if they are willing to act as a Director.

Fixed elements of remuneration for Non-Executive Directors

Remuneration	Purpose and link to strategy	Operation	Maximum opportunity
Non-Executive Director fees	Fees are set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees, and to attract and retain Non-Executive Directors of the highest calibre with relevant commercial and other experience.	The fees paid to the Non-Executive Directors are determined by the Board as a whole. Additional fees are payable for acting as Senior Independent Director and as Chair of the Board's Audit & Risk Committee, Remuneration Committee and Nomination Committee.	Fee levels are set by reference to Non-Executive Director fees at other FTSE companies of similar size, sector and complexity and general increases for salaried employees within the Company.

REMUNERATION COMMITTEE REPORT CONTINUED

Executive Directors

The earnings for the financial year to 31 March 2021 for the Executive Directors is summarised in the table below.

Total earnings (£000)	Bernard Fairman	Gary Fraser
Salary/drawings	—	220
Partnership profit share and dividends	9,329	766
Capital redemptions/buybacks	4,763	—
Private medical insurance	2	1
Other benefits[1]	1	—
Subtotal	**14,095**	**987**
% movement on prior year	(38)%	(57)%
IPO proceeds	93,058	14,711
Total	**107,153**	**15,698**
Amount fixed	553	221
Amount variable	106,600	15,477

1. As disclosed in the Prospectus, pre-IPO, Foresight Group LLP sold a long leasehold flat to Bernard Fairman's wife for a consideration of £450k, being the fair market value. Foresight Group LLP will continue to pay council tax, utilities, service charges and rates payable in connection with the flat for as long as Bernard Fairman acts as Executive Chairman of FGHL.

Neither of the Executive Directors are entitled to any pension entitlement or additional benefits or special awards. Pre-Admission, the level of remuneration paid to the Executive Directors was reviewed and they proposed that their base pay would remain the same post-Admission. The proposal was made on the basis that they have significant shareholdings (subject to lock-in arrangements), which they felt was sufficient incentive to continue to work to generate returns for Shareholders. This will be kept under regular review by the Committee to ensure the overall remuneration package is sufficient to retain the Executives and ensure alignment with the strategy and aims of the business.

The table below illustrates the current shareholdings of each Executive Director, based on the closing share price on 31 March 2021 (£4.25).

Executive Director	Number of shares at year end	Value of shareholding at year end
Bernard Fairman	32,324,699	£137,379,971
Gary Fraser	4,413,365	£18,756,801

There have been no changes to shareholdings of the Executive Directors between the year end and the date of this report.

Both Executive Directors are entitled to 30 days' holiday each year (in addition to the usual bank holidays) and their notice periods are 12 months and six months (by either party) for Bernard Fairman and Gary Fraser respectively.

Remuneration for the year ending 31 March 2022

As noted in the Prospectus published as part of the IPO process, a distribution was made in Bernard Fairman's favour immediately pre-Admission, so for the year ending 31 March 2022 he has agreed to reduce his base salary to £20,000. From 1 April 2022 onwards, this will revert to his agreed base salary of £550,000. Gary Fraser will receive a base salary of £220,000 for the year ending 31 March 2022. Both Executive Directors will benefit from a partial private medical insurance contribution and will be entitled to receive any dividends declared and paid by the Group in accordance with the number of shares held.

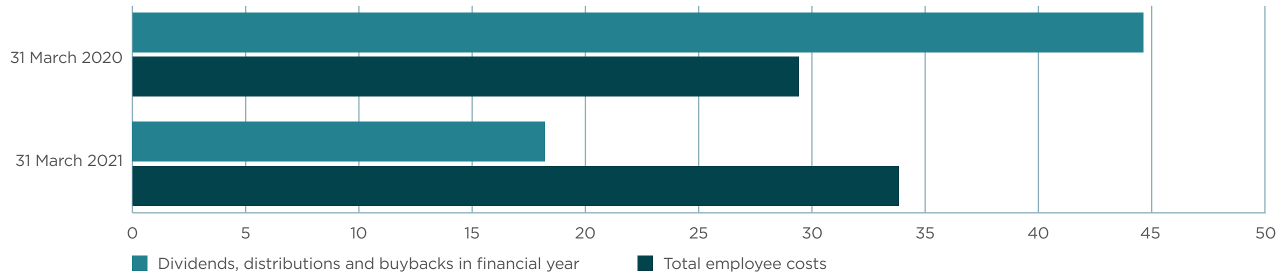
Relative spend on pay

The table and graph below show the amount of dividends, distributions and buybacks against employee costs for the last two financial years. These figures are underpinned by the amounts from the notes to the financial statements.

Pre-IPO, as the Group was an owner managed business, dividends, distributions and buybacks were an important element of remuneration for shareholders.

£m	**31 March 2021**	31 March 2020	% change
Total employee costs	**33.8**	29.4	15%
Dividends, distributions and buybacks in financial year	**18.2**	44.6	(59)%

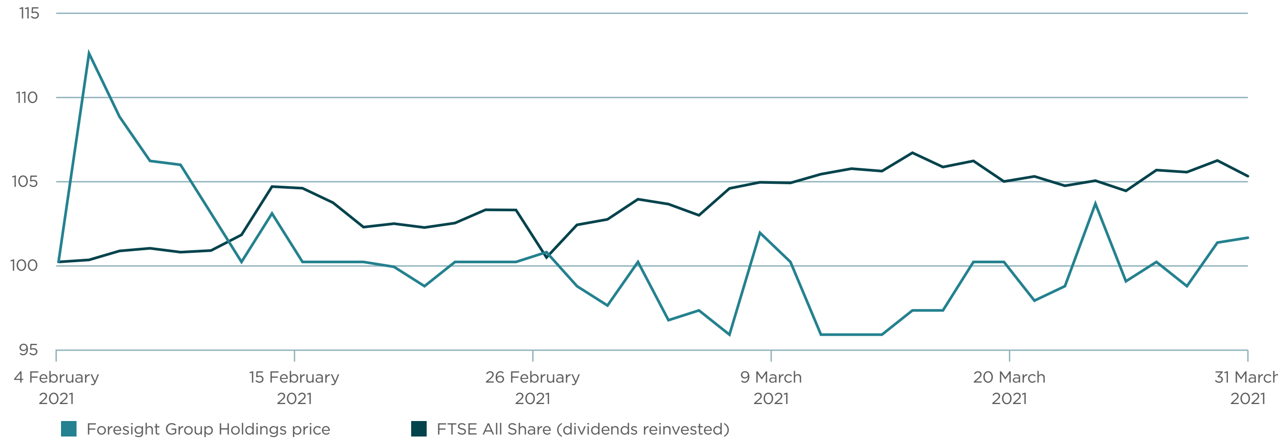
Relative importance of spend on pay (£m)



Total shareholder return performance

The graph below shows the value at 31 March 2021 of £100 invested in Foresight Group at the IPO price of 420 pence per share on 4 February 2021, the date of our admission to trading on the London Stock Exchange, compared to £100 invested in the FTSE All Share Index.

Total shareholder return



REMUNERATION COMMITTEE REPORT CONTINUED

Senior management

At the meeting on 10 June 2021, the Committee discussed the implementation of the Group PSP, details of which can be found in the Prospectus published pre-Admission. It is intended that the first awards under this scheme will be made on 1 August 2021. The scheme will be linked to an absolute Total Shareholder Return ("TSR") of 6% compound growth per annum over a three-year period. The absolute TSR condition will vest over a range as per the table below:

TSR growth over measurement period	Percentage of award that vests
6% TSR growth or more	100%
More than 3% but less than 6% TSR growth	Pro-rata between 25% and 100% (on a straight-line basis)
3% TSR growth	25%
Less than 3% TSR growth	Nil

When reviewing the first-year allocations, the Committee gave regard to succession planning, flight risk and recent personal performance. Neither of the Executive Directors will be participating in the PSP in the first year of allocations for the rationale detailed earlier in my report. No remuneration consultants were engaged in the year ended 31 March 2021, but the Committee plans to engage the services of a remuneration consultant in the current financial year, to help structure a detailed succession plan looking two to three years ahead once the IPO lock-up arrangement ends.

Commitments under all-share schemes satisfied by newly issued shares must not exceed 10% of the issued share capital in any rolling ten-year period, with flexibility on what can be used to satisfy options under executive share schemes. The Group's position against the dilution limits at 31 March 2021 since Admission was 0% for the all-share schemes limit and 0% for executive schemes.

Wider Group workforce

The Committee reviews the ongoing appropriateness of the wider workforce remuneration and related policies. The remuneration package for staff is structured to be competitive in the market in which we operate in order to retain the most talented people. The package offered includes the following elements:

- Base salary
- Pension
- Annual bonus
- Other benefits (e.g. private medical insurance and life assurance)
- Share Incentive Plan ("SIP")
- Performance Share Plan ("PSP")

The Group seeks to promote and maintain good relations with staff as part of its broader staff engagement strategy. The Committee has met with the Head of People on several occasions since Admission and intends to increase proactive engagement with staff over the next 12 months and beyond.

Non-Executive Directors ("NEDs")

NEDs have been appointed for an initial term of three years, but each NED may be invited by the Company to serve for a further period or periods. In any event, each NED appointment is subject to annual re-election by Shareholders at each Annual General Meeting of the Company and a NED's appointment may be terminated at any time by either party giving the other one month's written notice or in accordance with the Articles of Association. In the event Shareholders do not re-elect a NED, or he/she is retired from office under the Articles of Incorporation, the relevant appointment shall terminate automatically, with immediate effect and without compensation. On termination of appointment, NEDs are only entitled to such fees as may have accrued to the date of termination, together with reimbursement in the normal way of any expenses properly incurred prior to that date.

All three NEDs were appointed on 3 February 2021 and have a notice period of one month.

NEDs are not eligible to participate in any of the Group's long-term incentive, bonus or pension schemes. There were no payments made for loss of office during the year. Details of the policy on fees paid to our NEDs is set out below:

Fees

To attract and retain NEDs of the highest calibre with broad commercial experience relevant to the Group, fee levels will be reviewed periodically by considering external advice on best practice and fee levels at other FTSE companies of broadly similar size and sector to Foresight. Time commitment and responsibility are also considered when reviewing fees.

The annual NED fees are outlined below. A base fee is agreed with additional fees payable for chairing Board Committees:

NED fee type	Annual fee
Base fee for independent NEDs	£50,000
Additional fee for chairing a sub-committee	£5,000
Additional fee as Senior Independent Director	£10,000
Additional fee for acting as NED of a licensed subsidiary	£10,000

NED	Annual fee	Salary for year ended 31 March 2021	No. of shares held at year end	Value of shareholding at year end[3]
Alison Hutchinson (Senior Independent Director)	£60,000	£8,218	5,952	£25,296
Mike Liston (Chair of Nomination and Remuneration Committees)	£60,000	£8,218	11,904	£50,592
Geoffrey Gavey (Chair of Audit & Risk Committee)[1]	£65,000	£32,534[2]	11,904	£50,592

1. Geoffrey Gavey receives an additional £10,000 per annum for acting as NED of a licensed subsidiary within the Group.
2. Includes NED fees earned pre-Admission.
3. Based on closing share price of £4.25 on 31 March 2021.

Shareholder views

The Company's first Annual General Meeting as a listed entity will be on 26 August 2021, when the Directors' Remuneration Policy and Directors' Remuneration Report will be put to Shareholders for the first time.

The Committee will consider any Shareholder views received throughout the year, as well as guidance from shareholder representative bodies more broadly. The Directors' Remuneration Policy will be kept under regular review, to ensure it aligns the interests of Executive Directors with those of Shareholders. We will consult with Shareholders before making any significant changes to our Directors' Remuneration Policy.

On behalf of the Remuneration Committee

Mike Liston
Chair of the Remuneration Committee

26 July 2021

DIRECTORS' REPORT

The Directors present their report and the audited financial statements of the Group for the year ended 31 March 2021.

The Company

The Company, Foresight Group Holdings Limited, is a public company incorporated in Guernsey and is listed on the London Stock Exchange Main Market with a premium listing.

Subsidiary undertakings

The Company operates via its various subsidiary undertakings, which are domiciled in a number of jurisdictions globally. A list can be found in note 15 to the financial statements, which notes the domicile of each undertaking at the date of this report.

Important events

On 4 February 2021, the Company listed on the Main Market of the London Stock Exchange.

Compliance with the UK Corporate Governance Code (the "Code")

It is a requirement of Listing Rule 9.8.7R that the Company, which is an overseas company with a premium listing, must comply with the Code, which is published by the Financial Reporting Council, or explain in its Annual Report and Financial Statements any areas of non-compliance and the Company's reasons for this. A copy of the Code can be found at **frc.org.uk**. It is the intention of the Directors to comply with the Code; however, due to the proximity of the listing of the Company to its financial accounting date, there are some areas in progress and explained as non-compliance for that reason, but which are expected to become fully compliant during the course of the first full financial year. Those areas are listed below with any other areas of non-compliance:

Provision	Explanation
9, 19	The Code recommends that the role of chairman and chief executive officer should not be exercised by the same individual. On and since Admission, Bernard Fairman has exercised the role of Executive Chairman, combining the role of chairman and chief executive officer, which does not comply with the UK Corporate Governance Code. He has also been on the Board longer than nine years. The Nomination Committee and the Board consider that the role of an Executive Chairman is in the interests of Shareholders in order to utilise the proven leadership qualities and significant experience of Bernard Fairman to seek to ensure the ongoing commercial success of the Group. Furthermore, Bernard Fairman was one of the founders of the Company in 1984 and can therefore provide stability and continuity through his detailed understanding of the Group's operations and the markets in which it operates.
21, 22	As the Company has been listed for such a short period, the annual evaluation will take place in the financial year ended 31 March 2022.
23	Aside from the appointments immediately preceding the listing, there have been no Board appointments. Details of the evaluation to be undertaken in the financial year ended 31 March 2022 will be disclosed in the 2022 accounts.
26	Due to the size of Foresight Group, it has not been considered necessary to appoint an internal audit function; however, this matter will remain under constant review of the Board and Executive Committee.
29	The Board will conduct a full review of the effectiveness of the internal risk management controls by 31 March 2022 and report on them in the 2022 accounts.

Disclosure Guidance and Transparency Rules ("DTRs")

The Company complies with the corporate governance statement requirements of the FCA's DTRs by virtue of the information included in the Governance section of the Annual Report and Financial Statements.

Relationship Agreement – controlling shareholder

As at 31 March 2021, Beau Port Investments Limited (the investment vehicle through which Bernard Fairman holds his shares) held, together with its concert parties, 44.9% of the Company's issued Share capital. Consequently, under the Listing Rules, Bernard Fairman was, and continues to be, a controlling Shareholder of the Company.

Pursuant to Listing Rule 9.8.4, the Company has entered into a relationship agreement with Bernard Fairman, Beau Port Investments Limited and other parties with whom they are deemed to be acting in concert (the "Relationship Agreement"). Since the date of the Relationship Agreement, the Company has complied with the mandatory independence provisions in the Relationship Agreement and, as far as the Company is aware, Bernard Fairman, Beau Port Investments Limited and the other parties to the Relationship Agreement have also complied.

UK Listing Rule 9.8.4

There are no disclosures required to be made under UK Listing Rule 9.8.4 which have not been disclosed elsewhere in this Report. Details of long-term incentive plans can be found in the Remuneration Report.

Securities dealing code

In accordance with the UK Market Abuse Regulations, the Company has adopted a Securities Dealing Code and Securities Dealing Code Guidance to provide the Company's Directors, other PDMRs (persons discharging managerial responsibility) and all Group employees, which sets out their responsibilities for ensuring compliance when dealing in the Company's shares. The Code and Guidance are available to all employees via the Foresight Governance and Compliance Library.

Results and dividends

The Consolidated Statement of Comprehensive Income is set out on page 116 and shows the results for the year ended 31 March 2021.

The Directors recommend that the Company pays a final dividend for the year ended 31 March 2021 of 1.7 pence per share, to be paid on 24 September 2021.

Principal activities, review of business and future developments

The review of the business and a summary of future developments are included in the Executive Chairman's Statement on pages 8 to 10.

Principal risks and uncertainties

The Board has carried out a robust assessment of the emerging principal risks and uncertainties affecting the Group. These risks and uncertainties are explained in the Risk Management section on pages 76 to 78.

Directors

The names and details of the Directors serving at the date of this report are provided on pages 82 and 83. The Directors who served during the period under review were:

- Bernard Fairman, Executive Chairman
- Gary Fraser, CFO/COO (appointed 3 February 2021)
- Geoffrey Gavey, NED
- Alison Hutchinson, Senior Independent NED (appointed 3 February 2021)
- Mike Liston, NED (appointed 3 February 2021)
- Jo-anna Nicolle (resigned 3 February 2021)

In accordance with the Company's Articles of Association, all Directors will stand for re-election at the forthcoming Annual General Meeting of the Company.

Although a formal evaluation has not yet taken place due to the timing of the Company's Admission on 4 February 2021, the Board believes that it is in the best interests of Shareholders that the Directors listed for re-election be re-elected.

Directors' indemnity

The Company has maintained a Directors' and Officers' liability insurance policy on behalf of the Directors, indemnifying them in respect of certain liabilities which may be incurred by them in connection with the activities of the Company. This policy does not provide cover for fraudulent or dishonest actions by the Directors.

Articles of Incorporation

The Company's Articles of Incorporation are available upon request from the Group Company Secretary and at the AGM. A copy has also been published in the Shareholder Centre on the Company's website: **https://www.fsg-investors.com/**

Share capital and voting rights

The Company's capital structure and details of Share movements during the year are shown in note 25 to the Financial Statements.

As at 4 February 2021, being the date the Company listed, and 31 March 2021, there were 108,333,333 Ordinary Shares ("Shares") in issue of nil par value. The Shares are quoted on the Main Market of the London Stock Exchange.

DIRECTORS' REPORT CONTINUED

Share capital and voting rights continued

Details of substantial shareholdings and control can be found in the table overleaf. Shareholder rights and entitlements are as follows:

- Shareholders are entitled to dividends and other distributions declared, made or paid on the Ordinary Share capital of the Company
- On a show of hands every Shareholder who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Share. Any Shareholder entitled to more than one vote need not cast all votes in the same way
- Shareholders are entitled to participate in any surplus assets in a winding up in proportion to their Shareholdings

Allotment of Shares

The Shareholders have authorised the Directors to issue Shares in the Company's Share capital of up to two-thirds of the issued Share capital. It is the Directors' intention to seek the renewal of this authority by Shareholder resolution will be set out in the notice of the forthcoming AGM.

The Shareholders further authorised the Directors to allot Shares without application of the pre-emption rights contained in Article 5.1 of the Company's Articles equivalent to approximately 5% of the Company's issued Share capital until the conclusion of the forthcoming AGM. The Directors will also seek to renew this extra authority by proposing a special resolution be passed at the forthcoming AGM provided the extra 5% is used only in connection with the financing (or refinancing) of an acquisition or specified capital investment as contemplated by the Statement of Principles on Disapplying Pre-Emption Rights published by the Pre-Emption Group in 2015.

Purchase of own Shares

The Company has been authorised to buy back up to 10% of its own Shares by market purchase until the conclusion of the AGM to be held this year. The Directors will seek to renew this authority for up to 10% of the Company's issued share capital at the forthcoming AGM. This power will only be exercised if the Directors are satisfied that the purchase is in the interest of Shareholders.

Relations with Shareholders

The Board recognises the importance of regular and effective communication with Shareholders, particularly the need for open communication on the Company's strategy. Management has regular dialogue with the Company's major Shareholders and ensures that their views are communicated fully to the Board.

Other forms of communication include the annual and interim financial statements, announcements released to the London Stock Exchange, the Annual General Meeting and regular face-to-face meetings with major Shareholders and management. These meetings enable the Executive Chairman and the CFO to update Shareholders on strategy and the Group's performance. The Company also has an ongoing programme of individual meetings with institutional Shareholders and analysts following the preliminary and half-year results presentations.

As soon as practicable following the conclusion of any general meeting, the results of the meeting are released through a regulatory news service and a copy of the announcements placed in the Shareholder Centre on the website **https://www.fsg-investors.com/shareholder-centre**. In the event that 20% or more of votes were cast against any resolution at a general meeting, an explanation of the actions proposed to be taken in response would be outlined.

The Shareholder Centre of the Company's website will include Annual Reports (together with notices of meetings) and other governance-related material, such as investor presentations and marketing materials.

Substantial interests

At the Company's year end, 31 March 2021, and as at 26 July 2021, being the date this Annual Report and Financial Statements was finalised for publication, the following were the only substantial holdings representing 5% or more of the Company's total voting rights notified to the Company pursuant to DTR 5.

Beneficial Shareholder	Number of Shares	% of issued share capital
Bernard Fairman[1]	32,324,699	29.84%
Jupiter Fund Management plc	7,904,400	7.29%
Janus Henderson Group plc	6,744,353	6.22%
Slater Investments Limited	6,000,000	5.54%

1. Transferred to Beau Port Investments Limited, of which Bernard Fairman is the beneficial owner, post period end on 21 April 2021.

Miscellaneous disclosures

- The Directors' powers are conferred on them by Guernsey company law and by the Articles of Incorporation.
- The provisions concerning the appointment and replacement of Directors are contained in the Company's Articles of Incorporation (which in line with the UK Corporate Governance Code require the Directors to be subject to annual re-election) and the Companies (Guernsey) Law, 2008.
- The Company's Shares have been admitted to trading on the London Stock Exchange and may be traded through the CREST system.
- There are no restrictions on the transfer of the Company Shares other than those restrictions which may from time to time be imposed by law; for example, insider trading law.
- The Company is not aware of any agreements between Shareholders that may result in restrictions on the transfer of securities and/or voting rights.
- With respect to the UK's Market Abuse Regulation, all Group employees are required to seek the approval of the Company to deal in its Shares.
- The Company's Articles of Incorporation may only be amended by special resolution at a general meeting of Shareholders. A copy of the Articles has been published in the Shareholder Centre on the Company's website: **https://www.fsg-investors.com/**
- The Company is not aware of any significant agreements to which it is party that take effect, alter or terminate upon a change of control of the Company following a takeover.
- The Sustainability section of this Annual Report and Financial Statements sets out the Group's approach to greenhouse gas.
- The Company has no branches but certain of its subsidiaries have branches in the UK and elsewhere.
- Details of the financial instruments utilised by Foresight and the associated risks are described in note 27 to the Financial Statements.
- Likely future developments in the Group's activities are noted in the Strategic report.
- Foresight has not conducted any activities in the field of research and development.

Engagement with customers, suppliers and others

The Directors are required to promote the success of the Company as a whole and, in doing so, have regard to a range of stakeholders. A list of the Group's key stakeholder groups is provided on pages 70 to 72, along with a brief description of the way in which the Group has engaged with them.

Financial risk management objectives

The Group's financial risk management objectives can be found in note 27 of the financial statements.

Website publication

The Board is responsible for publishing the audited Annual Report and the financial statements on the Company's website in accordance with applicable legislation governing the preparation and dissemination of financial statements. The Board is responsible for the maintenance and integrity of the Company's website, as well as the information published therein, including the Company's financial statements. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor's right to information

So far as each of the Directors is aware, there is no relevant audit information (as defined by section 249 of The Companies (Guernsey) Law 2008) of which the Company's Auditor is unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

Post-balance sheet events

There were no events that have taken place after the period end that require disclosure as a post-balance sheet event.

Donations and political expenditure

Foresight made no charitable or political contributions during the financial year. Foresight has historically matched certain amounts raised by its staff for charity through community activities. It will resume this once such activities can take place in a safe environment.

DIRECTORS' REPORT CONTINUED

Going concern

After making enquiries, the Directors have formed a judgement that at the time of approving the financial statements, there is a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future. For this reason, the Directors continue to adopt a going concern basis in preparing the financial statements.

Responsibility statement of the Directors in respect of the Annual Report and Financial Statements

The Annual Report and Financial Statements complies with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and the UK Corporate Governance Code in respect of the requirements to produce annual financial accounts. The Annual Report and Financial Statements are the responsibility of, and have been approved by, the Directors. In that regard, we confirm that to the best of our knowledge:

- The Annual Report and Financial Statements, prepared in accordance with all relevant International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS interpretations committee for the year ended 31 March 2021, endorsed by the European Union ("EU"), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- The Strategic Report (contained on pages 11 to 79) includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- The Directors consider the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position, performance, business model and strategy

AGM

The Annual General Meeting will be held on 26 August 2021 at the below address. A copy of the Notice of Meeting can be found on the Company's website.

In terms of attendance, while the Guernsey Government has eased a number of the travel restrictions associated with COVID-19 to allow travel to Guernsey, the Board would encourage Shareholders to vote by proxy to ensure their votes are counted in case attending in person is not possible. The registrar will provide proxies to each of the registered Shareholders and a blank copy will be available on the Company's website: https://www.fsg-investors.com/. Details of CREST voting are provided in the Notice of AGM, which will be posted to registered Shareholders and also published on the Company's website. Shareholders are welcome to submit questions for the Board to the Company Secretary by 1.00pm on 24 August 2021.

By Order of the Board

Jo-anna Nicolle
Company Secretary

26 July 2021

Ground Floor, Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 2HT

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FORESIGHT GROUP HOLDINGS LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements of Foresight Group Holdings Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity and the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit & Risk Committee.

Independence

Following the recommendation of the Audit & Risk Committee, we were appointed by the Board on 14 April 2021 to audit the financial statements for the year ending 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is one year, covering the year ending 31 March 2021. We remain independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or Parent Company.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's cash flow forecasts for the Group for a period of at least 12 months from the date of approval of the financial statements that support the Board's assessment and conclusion with respect to the going concern basis of preparation of the financial statements and performing the following:
  - Assessing the reasonableness of management's assumptions with respect to revenue growth and fundraising against historical performance and planned future fundraising activities.
  - Evaluating the reasonableness of management's downside scenario and the assumptions used, considering the impact on the expected receipt of cash from revenue streams and future expenditure as well as the likelihood of this scenario occurring.
  - Performing a highly stressed scenario where revenues are not forecast to increase from current levels but expenditure continues to rise in line with planned forecast to assess the available headroom.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Parent Company's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other matter

The corresponding figures are unaudited.

INDEPENDENT AUDITOR'S REPORT CONTINUED
TO THE MEMBERS OF FORESIGHT GROUP HOLDINGS LIMITED

Overview		
Coverage	94% of Group profit before tax 98% of Group revenue 96% of Group total assets	
Key audit matters		2021
	Revenue recognition	✓
	Acquisition of PiP Manager Limited	✓
	IFRS Conversion	✓
Materiality	**Group financial statements as a whole** £880,000 based on 5% of Group Profit Before Tax adjusted for share issue costs	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group consists of the Parent Company and a number of subsidiary undertakings. The Group audit engagement team carried out full scope audits for the Parent Company and three of the five significant components of the Group. The remaining two significant components were audited by BDO component audit teams based in the UK and Guernsey. For non-significant components, the Group engagement team performed specific procedures including analytical procedures, based on their individual financial significance to the Group with reference to their profit before tax, revenue and total assets.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with component auditors included the following:

- discussing the timing of their involvement and timeline for reporting;
- discussing the risks identified at Group level and the risks that are relevant to the component entity;
- sending detailed instructions, including the materiality thresholds to be applied in the testing of the component entity;
- obtaining and assessing the results of their audit work performed; and
- performing a review of their relevant working papers.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition (notes 3 and 4 to the financial statements) Revenue is a key driver in demonstrating performance, therefore there is an incentive to overstate revenue. Additionally, this was the first year that the Group adopted IFRS 15 Revenue from Contracts with Customers. There is also a risk that revenue may be misstated as a result of complex calculations, judgement in the Net Asset Values ("NAVs") of underlying funds, use of inappropriate accounting policies, failure to apply the Group's stated accounting policies or from an inappropriate use of estimates in calculating revenue.	**We performed the following procedures:** In respect of the adoption of IFRS 15, we obtained management's assessment of the performance obligations under the various management and service agreements, the allocation of consideration to those performance obligations and the assessment of whether the performance obligations are satisfied at a point in time or over time. We reviewed management's assessments to check that the Group's accounting policies are in line with the requirements of the standards. We analysed a sample of agreements to confirm that performance obligations were satisfied over time or at a point in time and have been appropriately assessed by management. **Management fees and Secretarial fees:** • For a sample of management fee and secretarial fee arrangements, we obtained the relevant agreements and corroborated the fee rates and calculation bases to the agreements. We recalculated the fees receivable for the year based on the relevant fee structure per the agreement and the underlying fund commitments or NAVs as applicable. • We vouched a sample of fund commitments and fund NAVs to supporting evidence, including fund subscription documents and audited financial statements alternatively considering and corroborating the appropriateness of movements from the most recent audited financial statements where audited financial statements were not available. We also agreed the NAVs used in the calculations to Regulatory News Service ("RNS") announcements on the LSE website where applicable. • We reviewed the report of controls which covers the controls over the production of NAVs which drives the majority of management fee and secretarial fee calculations to identify any issues which could affect the determination of the NAVs. **Inheritance Tax Solutions (ITS and AITS):** • We obtained calculations for ITS and AITS management fees and reviewed these for arithmetic accuracy. • We reviewed the prospectuses for these products and confirmed that the calculation of the ITS and AITS management fees were aligned to the terms of these documents. • We verified key inputs to the calculation on a sample basis, such as amounts invested and withdrawals, by agreeing to investor applications, withdrawal statements, encashment forms and other relevant supporting documentation. **Arrangement/advisory and marketing fees:** • For a sample of arrangement/advisory and marketing fees, we obtained the relevant agreements or evidence of new investor commitments as appropriate and recalculated the fees according to the terms of the contract and agreed to that recorded by the Group. **Directors' fees:** • For a sample of directors' fees which are fixed fees with annual Retail Price Index ("RPI") adjustments, we obtained agreements in order to support the existence of the fees. • We recalculated the annual RPI uplifts for accuracy and checked that it was time-apportioned correctly. **Completeness of revenue:** • We tested completeness of revenue by forming an expectation of fund clients from which fees are receivable, based on the appointed manager and secretary to each fund and comparing to that recorded. We also analysed new fund clients and terminated fees during the year and corroborated these to new agreements and termination agreements respectively. **Key observations:** Based on our procedures performed, we found the recognition of revenue to be appropriate.

Key audit matter	How the scope of our audit addressed the key audit matter
Acquisition of PiP Manager Limited ("PiP") (notes 3 and 29 to the financial statements) The Group acquired PIP Manager Limited during the year. The acquisition is accounted for as a business combination under applicable accounting standards. The acquisition resulted in the recognition of intangible assets relating to investment management contracts of £2.88 million. There is a risk that the fair value of the net assets acquired has been incorrectly determined with a resultant impact on the gain on bargain purchase.	• We inspected the terms and conditions of the sale and purchase agreement relating to the PiP Manager Limited acquisition to check that the acquisition meets the definition of a business combination in accordance with the requirements of applicable accounting standards and confirmed the acquisition date and the purchase consideration. • We traced the fair value of net assets acquired to completion accounts, inspected all of the loan agreements which were part of the purchase consideration and vouched cash payments made to bank statements. • We reviewed management's calculations and key assumptions, being the discount rate and revenue, in arriving at the value of the identified intangible asset being recognised in the Group financial statements and assessed their appropriateness. • We assessed the reasonableness of forecasted revenue figures used in management's fair value calculation against historical performance. We agreed the revenue growth used in the model to the long-term inflation rate. • With the use of our internal valuations experts, we reviewed the reasonableness of the valuation model utilised by management as well as the appropriateness of the discount rate used to determine the carrying value of the intangible asset. • We recalculated the gain from bargain purchase from the purchase consideration within the sale and purchase agreement and the fair value of the identifiable assets acquired and liabilities assumed in the transaction. • We reviewed the journal entities posted in relation to the business combination to check these are in line with the sale and purchase agreement and the applicable accounting standards. **Key observations:** • Based on our procedures performed, we are satisfied that the acquisition of PiP Manager Limited has been appropriately accounted for.
IFRS conversion (notes 2 and 3 to the financial statements) The Group adopted IFRS with a transition date of 1 April 2019. There is a risk that all necessary adjustments have not been correctly identified and implemented to the financial statement balances. In addition there is a risk that all necessary disclosures have not been made appropriately in accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards. The most significant quantitative impact of the conversion to IFRS is in respect of the adoption of IFRS 16 Leases. Judgement is required in the estimate of the incremental borrowing rate applied in determining the discount rate to apply to lease liabilities.	• We obtained management's IFRS impact assessment workings and supporting schedules and considered the IFRS conversion impact from both a qualitative and quantitative aspect. • We reviewed the appropriateness of the IFRS conversion journals included in the consolidation workings with reference to the relevant accounting standards. • We reviewed the Group's accounting policies under IFRS and assessed its appropriateness with regards to the application of relevant accounting standards, in particular IFRS 9 and IFRS 15 based on the qualitative analysis performed. • We have performed specific audit procedures over the implementation of IFRS 16. We inspected all the lease agreements and contracts entered into by the Group to identify the lease terms and verified that the recognition criteria met the requirements of IFRS 16. • We considered management's assessment of lease classification in accordance with the requirements of IFRS 16. • We reviewed management's present value workings and recalculated the right-of-use asset capitalised and lease liability recorded for each lease and agreed key inputs to lease agreements. • We challenged management on their approach in arriving at the incremental borrowing rates ("IBR"). We gained comfort on the IBRs used by sensitising the right-of-use asset and lease liability for each lease using the range of commercial property mortgages observed on the market. We agreed the risk-free rate and country risk premium to independent sources. • We have reviewed the appropriateness of financial statements disclosures against the requirements of the applicable accounting standards. **Key observations:** Based on our procedures performed, we are satisfied that the IFRS conversion has been appropriately accounted for and disclosed in the financial statements.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

Key audit matter	Group financial statements
Materiality	£880,000
Basis for determining materiality	5% of Group Profit Before Tax adjusted for share issue costs
Rationale for the benchmark applied	This was determined as the most appropriate benchmark given that profit before tax is an important measure for users of the financial statements in assessing the performance of the Group.
Performance materiality	£570,000
Basis for determining performance materiality	65% of materiality on the basis of our risk assessment, together with our assessment of the Group's overall control environment.

Component materiality

We set materiality for each component of the Group based on the lower of their individual statutory materiality threshold and component materiality. Component materiality ranged from £13,000 to £836,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit & Risk Committee that we would report to them all individual audit differences in excess of £44,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

INDEPENDENT AUDITOR'S REPORT CONTINUED

TO THE MEMBERS OF FORESIGHT GROUP HOLDINGS LIMITED

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 79; and • The Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on page 79.
Other Code provisions	• The Directors' statement on fair, balanced and understandable set out on page 108; • The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 93; • The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 86; and • The section describing the work of the Audit & Risk Committee set out on pages 90 to 93.

Other Companies (Guernsey) Law, 2008 reporting

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the Parent Company; or
- the Parent Company financial statements are not in agreement with the accounting records; or
- we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Company and its subsidiaries which were contrary to applicable laws and regulations, including fraud. We considered the significant laws and regulations to be the Companies (Guernsey) Law, 2008, the FCA rules, the principles of the UK Corporate Governance Code and IFRS as adopted by the European Union.

We considered compliance with these laws and regulations through discussions held with management and the Audit & Risk Committee and reviewed correspondence with regulators and reviewed minutes of Board meetings to assess how the Group is complying with these laws and regulations. We issued group audit instructions to component auditors to perform these procedures as part of their audit and reviewed their relevant working papers in this regard.

We assessed the susceptibility of the financial statements to material misstatement including fraud and considered the significant fraud risk areas to be revenue recognition and valuation of the intangible asset acquired in the PiP transaction which involves management judgement, and is therefore subject to bias and management override of controls. Our procedures included those set out in the Key Audit Matters section above, and in respect of management override, we have tested a risk-based sample of journals back to supporting documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Smith (Senior Statutory Auditor)

For and on behalf of BDO LLP,
Statutory Auditor
London, UK

26 July 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Note	31 March 2021 £000	31 March 2020 £000
Revenue	4	**69,098**	57,253
Cost of sales		**(4,639)**	(4,389)
Gross profit		**64,459**	52,864
Administrative expenses	6	**(48,709)**	(51,254)
Other operating income	8	**394**	795
Operating profit		**16,144**	2,405
Finance income	10	**3**	1
Finance expense	10	**(710)**	(695)
Fair value gains/(losses) on investments	15	**192**	(147)
Share of post-tax profits of equity accounted joint venture	16	**26**	235
Profit on ordinary activities before taxation		**15,655**	1,799
Tax on profit on ordinary activities	11	**(481)**	(53)
Profit from continuing operations		**15,174**	1,746
Profit on discontinued operations, net of tax	30	**—**	54,275
Profit		**15,174**	56,021
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Translation differences on foreign subsidiaries		**(293)**	221
Total comprehensive income		**14,881**	56,242
Earnings per share attributable to the ordinary equity holders of the parent			
Profit or loss			
Basic (£)	28	**0.15**	0.59
Diluted (£)	28	**0.15**	0.59
Profit or loss from continuing operations			
Basic (£)	28	**0.15**	0.02
Diluted (£)	28	**0.15**	0.02

The notes on pages 120 to 163 form part of this financial information.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2021

	Note	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
Non-current assets				
Property, plant and equipment	13	**3,012**	3,905	3,865
Right-of-use assets	21	**9,120**	10,346	10,627
Intangible assets	14	**3,012**	272	471
Investments at FVTPL	15	**2,075**	1,233	1,206
Investments in equity accounted joint ventures	16	**251**	235	—
Deferred tax asset	22	**977**	20	—
		18,447	16,011	16,169
Current assets				
Trade and other receivables	17	**20,718**	15,834	13,828
Cash and cash equivalents	18	**39,431**	13,002	10,067
		60,149	28,836	23,895
Assets of disposal group classified as held for sale	31	**65**	891	100,737
Current liabilities				
Trade and other payables	19	**(20,644)**	(16,398)	(12,176)
Loans and borrowings	23	**(688)**	—	—
Lease liabilities	21	**(2,157)**	(1,945)	(1,495)
		(23,489)	(18,343)	(13,671)
Liabilities directly associated with assets in disposal groups classified as held for sale	31	**(1)**	(9)	(108,797)
Net current assets		**36,724**	11,375	2,164
Non-current liabilities				
Loans and borrowings	23	**(3,636)**	—	—
Lease liabilities	21	**(9,862)**	(11,553)	(12,097)
Accruals	20	**(295)**	—	—
Deferred tax liability	22	**(1,581)**	—	—
		(15,374)	(11,553)	(12,097)
Net assets		**39,797**	15,833	6,236
Equity				
Share capital	25	**—**	1	1
Share premium	25	**32,040**	—	—
Share-based payment reserve	25	**—**	101	1,510
Group reorganisation reserve	25	**30**	30	30
Retained earnings	25	**7,727**	15,701	4,695
Total equity		**39,797**	15,833	6,236

The financial statements were approved and authorised for issue by the Board of Directors on 26 July 2021 and were signed on its behalf by:

Gary Fraser
Chief Financial Officer

Geoffrey Gavey
Director

The notes on pages 120 to 163 form part of this financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £000	Share premium £000	Share-based payment reserve £000	Group re-organisation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2019	1	—	1,510	30	4,695	6,236
Net profit year ended 31 March 2020	—	—	—	—	56,021	56,021
Other comprehensive income					221	221
Contributions by and distributions to owners						
Dividends and distributions to equity members	—	—	—	—	(7,745)	(7,745)
Share buyback (cancellation)	—	—	—	—	(36,833)	(36,833)
Share-based payments	—	—	349	—	—	349
Transfer of share-based payments to retained earnings on vesting of Foresight Plan	—	—	(1,758)	—	1,758	—
Premium on redemption of preference shares	—	—	—	—	(2,416)	(2,416)
Balance at 31 March 2020	1	—	101	30	15,701	15,833

	Share capital £000	Share premium £000	Share-based payment reserve £000	Group re-organisation reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2020	1	—	101	30	15,701	15,833
Net profit year ended 31 March 2021	—	—	—	—	15,174	15,174
Other comprehensive income					(293)	(293)
Contributions by and distributions to owners						
Premium on issue of shares	—	35,000	—	—	—	35,000
Share issue costs	—	(2,960)	—	—	—	(2,960)
Dividends and distributions to equity members	—	—	—	—	(18,229)	(18,229)
Share-based payments	—	—	35	—	—	35
Share buyback (cancellation)	—	—	—	—	(10)	(10)
Transfer of share-based payments to retained earnings on vesting of Foresight Plans	—	—	(26)	—	26	—
Transfer of share-based payments to retained earnings on cessation of Foresight Plan	—	—	(110)	—	110	—
Premium on redemption of preference shares	—	—	—	—	(4,752)	(4,752)
Redemption of preference shares	(1)	—	—	—	—	(1)
Balance at 31 March 2021	—	32,040	—	30	7,727	39,797

The notes on pages 120 to 163 form part of this financial information.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

	Note	31 March 2021 £000	31 March 2020 £000
Cash generated from operations		**17,268**	13,032
Tax paid		**(174)**	(1)
Bank interest paid	10	**(7)**	(3)
Interest on ROU lease liabilities	10	**(621)**	(692)
Net cash from operating activities		**16,466**	12,336
Cash flows from investing activities			
Acquisition of property, plant and equipment	13	**(141)**	(744)
Acquisition of intangible assets	14	**(48)**	(5,266)
Acquisition of investments at FVTPL	15	**(881)**	(381)
Sale of investments		**230**	61
Proceeds on disposal of fixed assets		**450**	1
Interest received	10	**3**	1
Proceeds on disposal of Group entities	30	**819**	45,333
Acquisition of subsidiaries	29	**2,348**	—
Net cash from investing activities		**2,780**	39,005
Cash flows from financing activities			
Dividends and distributions to equity members	12	**(18,229)**	(7,745)
Share buyback	12	**(10)**	(36,833)
Shareholder loan (repaid)/advanced		**(750)**	750
FGLLP members' capital contributions		**1,455**	—
Redemption and premium on redemption of preference shares	12	**(4,753)**	(2,416)
Repayment of lease liabilities (principal)	21	**(2,570)**	(2,162)
Gross proceeds of IPO share issue	25	**35,000**	—
Costs of IPO share issue	25	**(2,960)**	—
Net cash from financing activities		**7,183**	(48,406)
Net increase/(decrease) in cash and cash equivalents		**26,429**	2,935
Cash and cash equivalents at 1 April	18	**13,002**	10,067
Cash and cash equivalents at 31 March	18	**39,431**	13,002
Reconciliation of profit before tax to cash generated from operations			
Profit before taxation		**15,655**	1,799
Profit from share in joint venture		**(26)**	(235)
Fair value gains on investments		**(192)**	147
Finance costs		**710**	695
Finance income		**(3)**	(1)
Share-based payment		**35**	349
Depreciation and amortisation		**2,648**	5,819
Impairment charge		**—**	1,982
Loss/(profit) on disposal of fixed assets		**(170)**	(1)
Gain on bargain purchase		**(174)**	—
Foreign currency (gains)/losses		**(295)**	245
(Increase)/decrease in trade receivables		**(4,507)**	(1,859)
Increase/(decrease) in trade payables		**3,587**	4,092
Total		**17,268**	13,032

The notes on pages 120 to 163 form part of this financial information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

1. Corporate information

The consolidated financial statements of Foresight Group Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2021 were authorised for issue in accordance with a resolution of the Directors on 26 July 2021. The Company is a public limited company incorporated and domiciled in Guernsey and whose shares are publicly traded on the Main Market of the London Stock Exchange. The registered office is located at Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT. The consolidated financial statements (the "Group accounts") comprise the financial statements of the Company and its subsidiaries.

The Group is principally involved in the provision of the management of infrastructure assets and private equity investments on behalf of both institutional and retail investors using ESG-oriented strategies.

2. Basis of preparation

The Group accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Company has taken advantage of the exemption in section 244 of the Companies (Guernsey) Law, 2008 (as amended) not to present its own individual financial statements or related notes.

The Group did not implement the requirements of any other standards or interpretations that were in issue; these were not required to be adopted by the Group for the year ended 31 March 2021. No other standards or interpretations have been issued that are expected to have a material impact on the Group's financial statements.

No reconciliation under IFRS 1.24 has been prepared as no previous consolidated financial statements have been prepared or reported. The comparatives in these financial statements are therefore not audited (IFRS 1.28)

Key accounting principles

The following summarises the key accounting and other principles applied in preparing the financial statements:

The Group has applied IFRS for the first time from 1 April 2019. The basis of preparation of the Group accounts, which are the first consolidated financial statements of the Group, is consistent with the principles of IFRS 1 First-time Adoption of International Financial Reporting Standards. The Group has prepared the Group accounts using accounting policies which are compliant with IFRS. These accounting policies have been disclosed under significant accounting policies.

In preparing the Group accounts consistent with the principles of IFRS 1, the Group has applied the full retrospective application of IFRS 16. Accordingly, the date of initial application of IFRS 16 Leases in the Group accounts is 1 April 2019. The Group has also applied the exemptions in IFRS 1 D9(D) (b), (c) and (d).

The Group has also applied the following exemptions in preparing the Group accounts:

- Cumulative translation differences for all foreign operations have been set to zero at 1 April 2019 (IFRS 1 D13 a)

The consolidated financial statements have been prepared on a historical cost basis, except for investments that have been measured at fair value.

The financial information is presented in sterling, which is the Company's functional currency. All information is given to the nearest thousand (except where specified otherwise).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3. Accounting policies

This section sets out the accounting policies of the Group that relate to the financial statements. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

The accounting policies set out in the sections below have been applied consistently to all periods presented within the financial information and have been applied consistently by all subsidiaries.

This section also details new accounting standards that have been endorsed in the period and have either become effective for the financial period beginning on 1 April 2020 or will become effective in later periods.

New standards, interpretations and amendments adopted from 1 April 2020

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 March 2021 are:

- Definition of a Business (Amendments to IFRS 3)

Amendments to IFRS 3 were mandatorily effective for reporting periods beginning on or after 1 January 2020. The Group has applied the revised definition of a business for acquisitions occurring on or after 1 January 2020 in determining whether an acquisition is accounted for in accordance with IFRS 3 Business Combinations. The amendments do not permit the Group to reassess whether acquisitions occurring prior to 1 January 2020 met the revised definition of a business. See note 29 for disclosures relating to the Group's business combination occurring during the year ended 31 March 2021.

New standards that have been adopted in the annual financial statements for the year ended 31 March 2021, but have not had a significant effect on the Group are:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative – Definition of Material)
- Revisions to the Conceptual Framework for Financial Reporting

New standards not yet implemented

At the date of these accounts, the following standards and interpretations which have not been applied in this financial information were in issue but not yet effective:

- Interest Rate Benchmark Reform – IBOR "phase 2" (Amendments to IFRS 9, IAS 39 and IFRS 7) – date of implementation is accounting periods starting on or after 1 January 2021
- COVID-19-Related Rent Concessions (Amendments to IFRS 16) – date of implementation is accounting periods starting on or after 1 June 2020

The Group has performed a preliminary assessment of the impact of adopting the standards above and concluded that adopting them would not result in any adjustments to the reported financial results or financial position of the Group.

Going concern

These financial statements have been prepared on the going concern basis.

The Directors of the Group have considered the resilience of the Group, taking into account its current financial position and the principal and emerging risks facing the business, including the impact of COVID-19 on global markets and potential implications for the Group's financial performance. The Board reviewed the Group's cash flow forecasts and trading budgets for a period of at least 12 months from the date of approval of these accounts, and concluded that, taking into account plausible downside scenarios that could reasonably be anticipated, the Group will have sufficient funds to pay its liabilities as they fall due for that period. Taking into consideration the impact of COVID-19 on the wider economic environment, the forecasts have been stress tested to ensure that a robust assessment of the Group's working capital and cash requirements has been performed. The stress test scenarios adopted involved severe but plausible downside scenarios with respect to the Group's trading performance. Any mitigating actions available to protect working capital and strengthen the balance sheet, including deferring non-essential capital expenditure and increased cost control, were also taken into account.

3. Accounting policies continued

Going concern continued

In considering the above, the Directors have formed the view that the Group will generate sufficient cash to meet its ongoing liabilities as they fall due for at least the next 12 months; accordingly, the going concern basis of preparation has been adopted.

A. Revenue

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group's revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue represents the fair value of the consideration receivable in respect of services provided during the period, exclusive of value added taxes.

A contract with a customer is recognised when a contract is legally enforceable by the Group; this will be prior to the commencement of work for a customer and therefore before any revenue is recognised by the Group. Performance obligations are identified on a contract-by-contract basis; where contracts are entered into at the same time with the same customer at differing rates, these may be considered a single contract for the purposes of revenue recognition.

The Group does not provide extended payment terms on its services and therefore no significant financing components are identified by the Group (settlement terms are normally 30 days payment or less). Revenue is only recognised on contingent matters from the point at which it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The principal components of revenue comprise management fees, secretarial fees, Directors' fees, marketing fees, arrangement fees and performance incentive fees.

Management fees and most secretarial fees are generally based on a percentage of fund Net Asset Value ("NAV") or committed capital as defined in the funds' Prospectus and/or offering documents, with some secretarial fees being at an agreed fixed rate. Directors' fees are based on a specified fixed fee agreed with the customer.

Management, secretarial and Directors' fees are recognised over time to the extent that it is probable that there will be economic benefit and income can be reliably measured. This revenue is recognised over time on the basis that the customer simultaneously receives and consumes the economic benefits of the provided asset as the Group performs its obligations.

Marketing fees are based on a rate agreed with the customer and recognised at the point in time when the related funds have been allotted.

Arrangement and advisory fees are based on a set rate agreed with the customer and recognised at the point in time when the related service obligations have been achieved.

Performance incentive fees are based on the returns achieved over a predetermined threshold as defined in the funds' Prospectus or offering documents and are recognised only at the point in time when management have certainty as to the receipt of such revenue, such that it is highly probable that a significant reversal in the amount of revenue recognised will not occur.

Other fees are based on the contract agreed before services are provided and are recognised in line with the delivery of the services provided.

B. Taxation

The tax expense represents the current tax relating to the corporate subsidiaries. The current tax expense is based on taxable profits of these companies for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The current tax liability is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Group intends to either settle on a net basis or realise the asset and settle the liability simultaneously.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and a deferred tax asset is recognised when it is considered recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying temporary differences can be deducted.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

C. Financial instruments

(i) Trade and other receivables/ trade and other payables

Trade and other receivables are recognised initially at transaction price less attributable transaction costs. Trade and other payables are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade receivables. For trade receivables this is because they meet the criteria set out under IFRS 9, being assets held within a business model that give rise to contractual cash flows and are solely payments of principal and interest ("SPPI"). Trade receivables are less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses. The expected credit losses are estimated using a provision matrix by reference to past default experience and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date. This encompasses trade debtors and balances within other debtors such as recharges yet to be invoiced to funds and investee companies.

Additionally, when a trade receivable is credit impaired, it is written off against trade receivables and the amount of the loss is recognised in the income statement. Subsequent recoveries of amounts previously written-off are credited to the income statement. In line with the Group's historical experience, and after consideration of current credit exposures, the Group does not expect to incur any credit losses and has not recognised any ECLs in the current year (2020: £nil).

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on-demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Amortised cost

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset that is derecognised) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit and loss in the Statement of Comprehensive Income. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

D. Investments

Investments comprise holdings in subsidiaries, unlisted investments and a 50% holding in a joint venture.

Valuation

Unlisted investments are recognised initially at fair value, which is normally the transaction price. Subsequent to initial recognition, unlisted investments are measured at fair value with changes recognised in profit and loss in the Statement of Comprehensive Income. Fair value is calculated as the percentage of the underlying fund to which the investment relates.

D. Investments continued

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured as the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Joint ventures

Joint ventures are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the Group Statement of Comprehensive Income.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate, or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost assessed for impairment at each reporting date and is subsequently measured at cost less any accumulated impairment losses. Any gain on bargain purchase is credited to administrative expenses in the Statement of Comprehensive Income in the year such gain on bargain purchase arises.

Any impairment is recognised immediately in profit or loss and is not subsequently reversed. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

E. Segmental reporting

Segment information is provided based on the operating segments which are reviewed by the Executive Committee ("Exco"), which is considered to be the Chief Operating Decision Maker. These operating segments, which comprise Infrastructure and Private Equity, are aggregated if they meet certain criteria. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. No disclosure is made for net assets/liabilities as these are not reported by segment to Exco.

F. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided, where material, on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life (charged through administrative expenses) as follows:

Fixtures, fittings, property, plant and equipment:

- Office equipment over ten years
- Long leasehold flat over term of lease
- Short leasehold property over term of lease
- Motor vehicles over four years
- Computer equipment over five years

The carrying values of items of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

G. Intangible assets excluding goodwill

Other intangible assets comprise customer contracts (acquired) and computer software (internally generated) which are stated at cost less amortisation and any recognised impairment loss.

Intangible assets in respect of customer contracts (acquired) arose from the acquisition of PiP Manager Limited and reflect the fair value of the investment management contracts obtained, which is equal to the present value of the earnings they are expected to generate.

This is on the basis that it is probable that future economic benefits attributable to the investment management contracts will flow to the Group and the fair value of the intangible asset can be measured reliably.

Computer software (internally generated) represents software licences and development costs to bring software into use. Costs associated with developing or maintaining computer software programmes that do not meet the capitalisation criteria under IAS 38 are recognised as an expense as incurred.

Amortisation is provided, where material, on all intangible fixed assets excluding goodwill at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly using a straight-line method over its estimated useful life (charged through administrative expenses) as follows:

- Customer contracts over 20 years
- Computer software over three to four years

The carrying values of customer contracts (acquired) and computer software (internally generated) are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs to sell and value in use. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

H. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and on-demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

I. Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are de-recognised from the Statement of Financial Position when the obligation specified in the contract is discharged, is cancelled or expires.

The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other operating income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

J. Employee benefits

Pension obligations

The Group operates several defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions to a third party. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Staff advances

Advances to staff (including Partners of Foresight Group LLP) are accounted for as employee benefits under IAS 19. In line with IAS 19, the advance is initially recognised as a financial asset and then as an expense when services are provided, also taking into account the contractual terms of the advances.

K. Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to the passage of time is recognised in finance costs.

L. Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

M. Dividends, redemptions and buybacks

Equity dividends are recognised when they become legally payable. Interim dividends are recognised when they are paid. Final equity dividends are recognised when approved by the Shareholders. Redemptions of preference shares were recognised when approved by the Directors of Foresight Group CI Limited upon request from the Shareholder. Share buybacks are recognised in equity when approved by the Directors.

3. Accounting policies continued

N. Leases

Leased assets

Applying IFRS 16, for all leases, the Group:

- Recognises right-of-use assets and lease liabilities in the Consolidated Statement of Financial Position, initially measured at the present value of the future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the Consolidated Statement of Comprehensive Income
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the Consolidated Statement of Cash Flows

Right-of-use assets are measured at cost less accumulated depreciation and impairment losses. The carrying value is also adjusted for any re-measurement of the lease liability. The entity has chosen to apply the practical expedient in C3 of IFRS 16 to not reassess whether a contract is, or contains, a lease at the date of initial application. The lease liability is measured in subsequent periods using the effective interest rate method and adjusted for lease payments.

Lease incentives (e.g. rent-free periods) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.53 (c). This expense is presented within administrative expenses in the Consolidated Statement of Comprehensive Income.

The cost of any contractual requirements to dismantle, remove or restore the leased asset, typically dilapidations, are to be included in the initial recognition of right-of-use assets. The Group considers that the value of dilapidations for its leased assets to be immaterial and has therefore not included the cost of these in its recognition of right-of-use assets.

O. Net finance costs

Finance costs

Finance costs comprise interest payable on leases, borrowings and direct issue costs and are expensed in the period in which they are incurred.

Finance income

Finance income comprises interest receivable on cash deposits. Interest income is recognised in profit or loss as it accrues using the effective interest method.

P. Earnings per share

Basic earnings per share ("EPS") is calculated by dividing the profit or loss for the year attributable to ordinary equity holders of the parent company by the weighted average number of Ordinary Shares outstanding during the year.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the parent company by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive potential Ordinary Shares into Ordinary Shares, to the extent that the inclusion of such shares is not anti-dilutive.

Q. Share-based payments

The Group historically issued B shares as awards to its staff under share-based compensation plans. For equity-settled awards, the fair value of the amounts payable to staff was recognised as an expense with a corresponding increase in equity over the vesting period after adjusting for the estimated number of shares that were expected to vest. The fair value was measured at the grant date using an appropriate valuation model, taking into account the terms and conditions upon which the instruments were granted. At each balance sheet date prior to vesting, the cumulative expense representing the extent to which the vesting period had expired and management's best estimate of the awards that are ultimately expected to vest were calculated. The movement in cumulative expense was recognised in the Consolidated Statement of Comprehensive Income with a corresponding entry within equity.

R. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

Assets and liabilities classified as held for sale are presented separately as current items in the Consolidated Statement of Financial Position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Consolidated Statement of Comprehensive Income.

Additional disclosures are provided in note 30. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

S. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

T. Foreign Exchange

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the Statement of Financial Position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

The assets and liabilities of Group entities that have a functional currency different from the presentational currency are translated at the closing rate at the balance sheet date, with transactions translated at average monthly exchange rates. Resulting exchange differences are recognised as a separate component of other comprehensive income and are recycled to the income statement on disposal or liquidation of the relevant branch or subsidiary.

U. Use of judgements and estimates

The preparation of the financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the Statement of Financial Position date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

In the process of applying the Group's accounting policies, the Directors have made the following judgements and estimates which have the most significant effect on the amounts recognised in the financial statements:

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing material adjustment to the carrying amount of assets and liabilities are as follows:

Valuation of investments

Investments in underlying funds are recorded at fair value. Fair value is calculated as the share of net assets of the underlying fund to which the investment relates.

While valuations of investments are based on assumptions that the Directors consider are reasonable under the circumstances, the actual realised gains and losses will depend on, amongst other factors, future operating results, the value of the assets and market conditions at the time of disposal, any related transaction costs and the timing and manner of sale, all of which may ultimately differ significantly from the assumptions on which the valuations were based. The value of the investments as at 31 March 2021 was £2.1 million (31 March 2020: £1.2 million, 31 March 2019: £1.2 million). Further details on the key assumptions made and a sensitivity analysis are set out in note 27.

Leases – estimating the incremental borrowing rate

The Group cannot readily determine the interest rates implicit in the leases; therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when adjustments are required to reflect the underlying economic market where overseas subsidiaries are located).

The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's standalone credit rating).

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2021

3. Accounting policies continued

U. Use of judgements and estimates continued

Recognition and measurement of intangible assets

In determining the fair value of the assets and liabilities acquired on acquisitions, the Directors have to make key judgements as to the appropriate discount rate to apply to discounted cash flows in determining the carrying value of relevant intangible assets.

Key judgements

These are as follows:

Consolidation of VCF Partners

VCF Partners is an existing general partnership of which Gary Fraser and David Hughes are the sole members and was used to hold certain of the Foresight Group's leasehold interests. Soon after the IPO, these leasehold interests, together with the other assets and liabilities of VCF Partners, were transferred to VCF II LLP.

Despite it being a general partnership and not a subsidiary, VCF Partners is considered to meet the requirements for consolidation, on the basis that VCF Partners is judged to be effectively controlled by the Company and is therefore included in the consolidated financial statements. Following the transfer of assets and liabilities to VCF II LLP, steps will be taken to dissolve VCF Partners.

Impairment of intangible assets

In determining whether there are indicators of impairment of the Group's intangible assets, the Directors take into consideration various factors including the economic viability and expected future financial performance of the asset and, when it relates to the intangible assets arising on a business combination, the expected future performance of the business acquired. Impairments made, and the basis of those judgements, are discussed in note 14.

Discretionary distributions payable

Until the date of the IPO, the Ordinary Members of Foresight Group LLP, ("FGLLP") or "the LLP" were also Shareholders of B shares and Alphabet shares in the Company. In addition to salary and bonus (where applicable), these individuals also received discretionary distributions from the LLP as well as dividends from the Company through Alphabet shares. However, the total of the discretionary distributions from the LLP and dividends received from the Company were based on their B share ownership. In order to determine the accounting treatment for the discretionary distributions, the Directors are required to make a judgement as to whether these distributions are purely for their shareholding or for their employment. The key determining factor is when these individuals became unconditionally entitled to B shares and that the distributions payable (including the dividends payable on Alphabet shares) are directly linked to the ownership of B shares. When the Shareholders were unconditionally entitled to B shares, the discretionary distributions payable to them were considered as equity distributions. When the Shareholders were conditionally entitled to B shares, the discretionary distributions payable were expensed as staff costs.

Share-based payments

Until the date of the IPO, the Company issued B shares to certain individuals with service conditions attached. In order to determine the charges related to these share awards, the Directors needed to make a number of judgements. The key ones relevant for these share awards were if they were equity settled or cash settled, the fair value of the Company as an unquoted Group as well as the number of shares expected to vest at the end of the vesting period. At the end of the vesting period, these shares could be sold back to the Company at the Company's option. As such, whether this was a cash-settled or equity-settled share-based payment was dependent on the Company's past practice. The Company did not typically settle these share awards with cash. As such, the Directors considered these shares to be equity settled. In determining the fair value of the Company, the Directors applied multiples to the Group's maintainable earnings. The multiples used were based on those of listed investment management groups, with a discount to reflect the fact that the Company was unquoted. The Directors estimated the number of shares expected to vest at the end of the vesting period based on past experience.

Bernard Fairman held A shares, and some B shares issued by the Company, as well as redeemable shares with Foresight Group CI Limited ("FGCI"). The redeemable shares were redeemed at FGCI's option. As such, they were treated as equity. The total distributions payable on the redeemable shares and A shares were based on his B share ownership. As Bernard Fairman was unconditionally entitled to the B shares, total payments to him were treated as equity distributions.

IPO costs

The costs incurred for the IPO have been accounted for under IAS 32 as follows:

Incremental costs that were directly attributable to the issuing of new shares have been taken to equity (Share premium). Costs that relate to the listing, or are otherwise not incremental and directly attributable to issuing new shares have been recorded as an expense in the statement of comprehensive income.

Where costs relate to both share issuance and listing, these are required to be allocated on a rational and consistent basis between the two functions. The Directors considered that an appropriate allocation basis would be the objectives of the IPO where 50% of the objectives were for the benefit of the Group and have therefore allocated 50% of the costs to equity (Share premium).

4. Revenue

The Group's revenue arises largely from the charging of management, secretarial, Directors', marketing, arrangement and performance incentive fees. Revenue over the period was as follows:

	31 March 2021 £000	31 March 2020 £000
Management fees	50,245	35,550
Secretarial fees	9,828	11,485
Directors' fees	2,306	1,848
Recurring fees	62,379	48,883
Marketing fees	2,841	4,307
Arrangement fees	3,858	3,998
Performance incentive fees	—	65
Other income	20	—
	69,098	57,253

	31 March 2021 £000	31 March 2020 £000
Timing of transfer of goods and services:		
Point in time	6,719	8,370
Over time	62,379	48,883
	69,098	57,253

	31 March 2021 Contract Liabilities £000	31 March 2020 Contract Liabilities £000
At 1 April	(73)	243
Amounts included in contract liabilities that was recognised as revenue during the period	73	(243)
Cash received in advance of performance and not recognised as revenue during the period	(541)	(73)
At 31 March	(541)	(73)

The timing of revenue recognition, billings and cash collections results in either trade receivables, accrued income or deferred income in the Statement of Financial Position. For recurring fees, amounts are billed either in advance or in arrears pursuant to an management or advisory agreement. The contract liabilities above reflect the deferred income in Trade and other payables. Additionally, there was £4,840,000 (2020: £2,270,000) of accrued income (contract assets) included in trade receivables at 31 March 2021.

5. Business segments

Management monitors the performance and strategic priorities of the business from a business unit ("BU") perspective, and in this regard has identified the following two key "reportable segments": Infrastructure and Private Equity.

The Group's senior management assesses the performance of the operating segments based on revenue.

Revenue is measured in a manner consistent with that in the income statement. Segmental revenue is set out below:

	31 March 2021 £000	31 March 2020 £000
Infrastructure	**50,873**	39,556
Private Equity	**18,225**	17,697
	69,098	57,253

Revenue by region is summarised below:

	31 March 2021 £000	31 March 2020 £000
United Kingdom	**65,999**	55,009
Italy	**1,177**	881
Other Europe	**1,209**	824
Rest of world	**713**	539
	69,098	57,253

Non-current assets (excluding deferred tax assets) by region are summarised below:

	31 March 2021 £000	31 March 2020 £000
UK	**15,397**	14,894
Italy	**808**	877
Other Europe	**1,264**	217
Rest of world	**1**	4
	17,470	15,992

6. Administrative expenses

These are summarised as follows:

	31 March 2021 £000	31 March 2020 £000
Depreciation and amortisation of owned assets (note 7)	**936**	4,180
Impairment of intangible fixed assets (note 14)	**—**	1,982
Right-of-use asset depreciation (note 7)	**1,713**	1,639
Staff costs (note 9)	**30,970**	27,961
Staff costs – distributions	**2,746**	1,124
Share-based payments	**35**	349
Auditor's remuneration	**419**	221
Legal and professional costs	**5,984**	5,454
Office costs	**1,936**	1,751
Net foreign exchange (profit)/loss (note 7)	**(251)**	276
Travel costs	**20**	1,035
Administrative costs	**4,112**	3,593
Low-value and short-term lease expenses	**241**	221
Bad debt write-offs	**112**	1,198
(Profit)/loss on disposal of fixed assets (note 7)	**(170)**	(1)
Gain on bargain purchase (note 29)	**(174)**	—
Other	**80**	271
	48,709	51,254

Administrative costs mainly relate to bank charges, computer maintenance, conferences, irrecoverable VAT, minor capital purchases written off and sundries.

Auditor's remuneration may be further disclosed as follows:

	31 March 2021 £000	31 March 2020 £000
Audit services		
Statutory audit – Company	**124**	—
– Subsidiaries	**109**	125
Total audit services	**233**	125
Non-audit services		
Regulatory assurance services	**13**	8
Other assurance services	**196**	83
Other services	**35**	—
Taxation compliance services	**—**	5
Total non-audit services	**244**	96
Total audit and non-audit services 477	221	

Of the £477,000 auditor's remuneration above, £115,000 related to interim audit services specifically for the IPO. Following the attribution of IPO costs between the issuing and listing of shares (see note 3T), £57,500 has been taken to share premium and £57,500 to legal and professional costs, leaving £419,000 charged to administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2021

6. Administrative expenses continued

Non-audit services included the following:

- **Regulatory assurance services.** These services are for CASS assurance audits for Foresight Group LLP and PiP Manager Limited
- **Other assurance services.** These services are for the ISAE 3402 assurance report on the internal controls of Foresight Group LLP and interim non-statutory audit work in relation to the IPO
- **Other services.** These services are in respect of an offer for new shares in Foresight Solar & Technology VCT plc

7. Operating profit

Operating profit is stated after charging:

	31 March 2021 £000	31 March 2020 £000
Owned property, plant and equipment depreciation	749	697
Amortisation of other intangible assets	187	3,483
Right-of-use assets depreciation	1,713	1,639
Impairment of intangible fixed assets	—	1,982
Gain on remeasurement of investments to fair value	192	(147)
(Profit)/loss on disposal of fixed assets	(170)	(1)
Net foreign exchange (profit)/loss	(251)	276
Gain on bargain purchase	(174)	—

Core EBITDA

The Group uses Core EBITDA as one of its key metrics to measure performance because it views this as the closest profitability number comparable to the Group's recurring revenue model (i.e. a cash profit number after stripping out any one-offs, both positive and negative).

Core EBITDA may not be comparable to other similarly titled measures used by other companies and it has limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS.

The specific items excluded from Core EBITDA are non-underlying items. Non-underlying items are non-trading or one-off items disclosed separately below, where the quantum, nature or volatility of such items are considered by the Directors to otherwise distort the underlying performance of the Group. The Group has assessed that the following items are non-underlying items for the purposes of calculating Core EBITDA:

- Non-operational legal costs. These are costs related to a series of proposed corporate transactions over the period and redundancy costs relating to a restructuring of the business. The corporate transaction costs relate to professional and other costs incurred in preparing the Group for an IPO and therefore are not considered to be related to the Group's ongoing business operations. Non-operational legal costs of £2.7 million in the financial year ended 31 March 2021 relates to IPO costs. The 31 March 2020 figure relates to an element of IPO preparation costs, but also a non-contractual payment of £1.3 million to Foresight's ITS product as a goodwill gesture to reimburse the ITS product for losses incurred on an investment
- Performance incentive fees in the year ended 31 March 2020 (performance incentive fees classed as non-core on the basis these related to income from an appointed representative whose relationship with the Group has now ended in terms of this income stream)
- Distributions made to members classified as remuneration expenses under IFRS have been added back as these are considered to be equity transactions for the purposes of calculating Core EBITDA. These expenses were related to distribution of the Group profit. They were variable as they were dependent on Group profit and also the timing of when the distributions were made
- Staff advances expensed have been added back as these are not deemed to reflect the core underlying performance of the business
- Other operating income as per note 8 below which is not expected to recur. This relates to Shirebrook development fees, grant income and recharges of set-up costs discussed further under note 8 below
- Profits or losses on disposal of fixed assets are added back to calculate Core EBITDA as these are classed as non-recurring
- Profits or losses arising on acquisition of subsidiaries are added back to calculate Core EBITDA as these are classed as non-recurring
- All depreciation and amortisation costs are added back to determine Core EBITDA
- All financing and taxation costs are added back to determine Core EBITDA
- Profit from discontinued operations is added back to determine Core EBITDA

A reconciliation of retained profit to Core EBITDA is set out below:

	31 March 2021 £000	31 March 2020 £000
Net profit after other comprehensive income	14,881	56,242
Add back depreciation and amortisation		
Depreciation and amortisation	936	6,163
Right-of-use asset depreciation	1,713	1,639
Add back non-operational staff costs		
Distributions	2,746	1,124
Staff advances expensed	440	—
Add back non-operational legal costs	2,744	1,870
Profit on disposal of tangible fixed assets	(170)	(1)
Gain on bargain purchase on acquisition of PiP Manager	(174)	—
Deduct performance incentive fees	—	(65)
Deduct other operating income	(394)	(795)
Deduct/add back financing	707	694
Add back tax	481	53
Profit from discontinued operation	—	(54,275)
Core EBITDA	**23,910**	12,649

8. Other operating income

This is summarised as follows:

	31 March 2021 £000	31 March 2020 £000
Fees arising from the Shirebrook development	348	795
Grant income	46	—
	394	795

Fees arising from the Shirebrook development

The Group is managing the development of a reserve power plant site in Shirebrook, Derbyshire on behalf of the Foresight ITS product. Development fees have been accounted for as other operating income when it is virtually certain that relevant contractual conditions have been met. At 31 March 2021, total fees of £2.1 million had been recognised. Further contractual conditions have been met in the year ended 31 March 2022 when the reserve power plant became fully operational giving rise to fees of £0.3 million.

Grant income

The Group applied for a Government support programme introduced in response to the global pandemic.

Included in the Statement of Comprehensive Income is £45,967 of Government grants obtained relating to supporting the payroll of the Group's employees. The Group has presented this Government grant separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses. The Group does not have any unfulfilled obligations relating to this programme.

9. Staff costs and Directors' remuneration

The average number of employees was:

	31 March 2021 Number	31 March 2020 Number
Operations	135	118
Sales and Marketing	40	44
Administration	58	59
	233	221

Their aggregate remuneration comprised:

	31 March 2021 £000	31 March 2020 £000
Wages and salaries	26,666	24,415
Social security costs	2,380	2,012
Pension costs	601	456
Other staff costs	1,323	1,078
	30,970	27,961
Distributions	2,746	1,124
Share-based payments	35	349
Total staff costs	33,751	29,434

Distributions and share-based payments prior to the IPO

The Group includes a Limited Liability Partnership, (FGLLP), whose members (until the date of the IPO) were also holders of B shares and Alphabet shares in the Company. From the LLP, the Ordinary Members received Ordinary Member Tier Two Shares in addition to the other distributions receivable. The Ordinary Member Tier Two Shares were payable at the sole discretion of the Designated Member of the LLP; as such, they are accounted for as equity distributions in the LLP's financial statements.

At the overall Group level, the Ordinary Members also received dividends through their Alphabet shares. The total discretionary distributions received by the Ordinary Members (Ordinary Member Tier Two Shares and the Alphabet share dividends) were determined based on their B shareholdings. Whether the total discretionary distributions should be treated as remuneration or equity distributions was determined based on whether these payments were made in relation to their shareholding or their tenure with the Group.

Based on the rights and obligations attached to the B shares, the B Shareholders were not unconditionally entitled to B shares unless they had an uninterrupted ten years of service with the Group. After the ten-year service period, there were no restrictions on B Shareholders. At that point, the discretionary distributions payable to B Shareholders were only purely for their equity ownership. As such, the Ordinary Member Tier Two Shares and the Alphabet share dividends payable to individuals who had not completed their ten-year service are included in this note as remuneration (this is the "Distributions" line in the table above). The discretionary distributions payable to B Shareholders who had completed their ten-year service are factored into the calculation of retained earnings.

Following the IPO, these arrangements ceased upon the issue of one class of Ordinary Share as discussed further under note 25 below.

10. Finance income and expense

	31 March 2021 £000	31 March 2020 £000
Finance income		
Bank interest receivable	3	1
Total finance income	3	1
Finance expenses		
Bank interest payable	(7)	(3)
Loan interest (accrued)	(82)	–
Interest on lease liabilities	(621)	(692)
Total interest expense on financial liabilities measured at amortised cost	(710)	(695)
Net finance expense recognised in the Statement of Comprehensive Income	(707)	(694)

The above finance income and expense includes the following in respect of assets (liabilities) not at fair value through profit or loss:

	31 March 2021 £000	31 March 2020 £000
Total interest income on financial assets	3	1
Total interest expense on financial liabilities	(89)	(3)
	(86)	(2)

11. Taxation

	31 March 2021 £000	31 March 2020 £000
Current tax		
UK corporation tax	–	425
Foreign taxation	111	49
Adjustments in respect of prior periods (foreign tax)	134	–
Total current tax charge	245	474
Deferred tax		
Origination and reversal of temporary differences	279	(20)
Recognition of previously unrecognised deferred tax assets	(43)	–
Total deferred tax	236	(20)
Tax on profit on ordinary activities	481	454
Continuing and discontinued operations		
Continuing	481	53
Discontinued	–	401
	481	454
Total tax expense		
From above	481	454
Share of tax expense of equity accounted joint ventures	14	76
	495	530

11. Taxation continued

The effective tax rate has varied through the historical period, and is explained as:

	31 March 2021 £000	31 March 2020 £000
Profit for the year	15,174	55,254
Add back total tax	495	530
Profit before all tax	15,669	55,784
Profit before tax at 19%	2,977	10,599
Profits not assessable to corporation tax	(438)	(1,310)
Profit share allocation from partnership funds	(78)	—
Fixed asset timing differences	(30)	—
Unrecognised deferred tax	(416)	199
Adjustments to previous periods	134	—
Differences on overseas tax rate	(2,213)	(646)
Expenses not deductible for tax purposes	579	1,443
Other permanent differences	(20)	—
Exempt gain on disposal of discontinued operation	—	(9,755)
Total tax charge	495	530

The Company is resident for taxation purposes in Guernsey and its income is subject to income tax in Guernsey, presently at a rate of 0% per annum.

The tax reconciliation for the Group has been prepared using the current UK corporation tax rate of 19%, as the majority of the Group's trading activities are carried out in the UK.

Profits not assessable to corporation tax comprise profits in various UK LLPs and Guernsey-registered companies within the Group where UK corporation tax law does not apply.

The March 2021 Budget announced a further increase to the main rate of corporation tax to 25% from April 2023. This rate had not been substantively enacted at the balance sheet date. As a result, UK deferred tax balances at 31 March 2021 continue to be measured at 19%. This will have a consequential effect on the Group's future tax charge although this is not expected to be material, and has been estimated to be £95,000.

At 31 March 2021, the Group had unutilised tax losses of approximately £4.9 million (2020: £2.7 million) available against future corporation tax liabilities. Management have performed an assessment and concluded that no material uncertain tax positions exist as at 31 March 2021 and further have also recognised a deferred tax asset. This assessment relies on estimates and assumptions and may involve a series of complex judgements about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact corporation tax expense in the period in which such determination is made.

12. Dividends and redemptions

Equity dividends, distributions and share buybacks were as follows:

	31 March 2021 £000	31 March 2020 £000
Dividends and distributions to equity members	18,229	7,745
Share buybacks	10	36,833
	18,239	44,578

Set out overleaf are the details of all equity dividends, distributions and share buybacks for the year ended 31 March 2021 and year ended 31 March 2020. On IPO, there was a restructuring of the share capital of the Company so that dividends per share pre and post-IPO would be incomparable. Therefore, the disclosure of dividends per share has not been made for pre-IPO equity dividends as it would be both unhelpful and misleading and not reflective of future dividend policy.

Year ended 31 March 2021

A shares
- On 22 May 2020, the Company declared dividends of £137,500 in respect of the Company's A shares
- On 21 August 2020, the Company declared dividends of £137,500 in respect of the Company's A shares
- On 26 November 2020, the Company declared dividends of £183,333 in respect of the Company's A shares
- On 1 February 2021, the Company declared dividends of £8,870,838 in respect of the Company's A shares

Alphabet shares
- On 1 February 2021, the Company paid dividends of £16,561 in respect of the Company's Alphabet shares

Distributions
- During the financial year, Foresight Group LLP paid distributions of £8,792,208 to its members
- During the financial year, VCF Partners paid distributions of £91,117 to its members

Share buyback
- On 9 February 2021, the Company enacted a share buyback of £10,000 per share, in respect of one of the Company's A shares

Year ended 31 March 2020

A shares
- On 24 May 2019, the Company declared dividends of £125,000 in respect of the Company's A shares
- On 16 August 2019, the Company declared dividends of £133,333 in respect of the Company's A shares
- On 28 November 2019, the Company declared dividends of £137,500 in respect of the Company's A shares
- On 6 March 2020, the Company declared dividends of £137,500 in respect of the Company's A shares

Alphabet shares
- On 23 April 2019, the Company paid dividends of £1,226,752 in respect of the Company's Alphabet shares
- On 26 November 2019, the Company paid dividends of £15,130 in respect of the Company's Alphabet shares

Distributions
- During the financial year, Foresight Group LLP paid distributions of £5,812,131 to its members
- During the financial year, VCF Partners paid distributions of £152,434 to its members
- During the financial year, Foresight Group Promoter LLP paid distributions of £5,154 to its members

Share buyback
- On 26 November 2019, the Company enacted a share buyback of £1,059.71 per share, in respect of 9,999 of the Company's A shares
- On 26 November 2019, the Company enacted a share buyback of £292.40 per share, in respect of 53,134 of the Company's B shares
- On 26 November 2019, the Company enacted a share buyback in respect of the Company's B shares amounting to £7.5 million
- On 30 March 2020, the Company enacted a share buyback of £292.40 per share, in respect of 10,944 of the Company's B shares

Preference Shares

Redemptions on preference shares were as follows:

	31 March 2021 £000	31 March 2020 £000
Redemption of preference shares	4,753	2,416

In terms of preference shares redemptions, these all took place prior to the IPO via arrangements in place between Beau Port Investments Ltd ("BPIL") and Foresight Group CI Ltd. These arrangements were all terminated before the date of the IPO and all preference shares were fully redeemed and cancelled.

12. Dividends and redemptions continued

Year ended 31 March 2021

- On 31 July 2020, Foresight Group CI Limited exercised its right to redeem one redeemable share for a total consideration of £2,750,000
- On 17 December 2020, Foresight Group CI Limited redeemed two redeemable shares for a total consideration of £2,003,191
- On 28 January 2021, Foresight Group CI Limited redeemed the remaining 846 redeemable shares for nil value and these were subsequently cancelled
- The value of these redemptions was determined by the Board of Directors of FGCI after taking into account FGCI's profits and working capital requirements

Year ended 31 March 2020

- On 24 April 2019, Foresight Group CI Limited exercised its right to redeem two redeemable preference shares for a total consideration of £1,666,000
- On 28 June 2019, Foresight Group CI Limited exercised its right to redeem two redeemable preference shares for a total consideration of £750,000

13. Property, plant and equipment

	Fixtures and fittings £000	Short leasehold property £000	Long leasehold flat £000	Motor vehicles £000	Total PP&E £000
Cost					
At 1 April 2019	375	4,834	326	21	5,556
Additions	194	534	—	16	744
Foreign exchange movement	(2)	(4)	—	—	(6)
Disposals	(245)	—	—	(22)	(267)
At 31 March 2020	322	5,364	326	15	6,027
Additions	**113**	**28**	**—**	**—**	**141**
Foreign exchange movement	**—**	**(7)**	**—**	**—**	**(7)**
Disposals	**(94)**	**—**	**(326)**	**—**	**(420)**
At 31 March 2021	**341**	**5,385**	**—**	**15**	**5,741**
Depreciation					
Balance at 1 April 2019	(260)	(1,411)	—	(21)	(1,692)
Depreciation charge for the year	(126)	(549)	(20)	(2)	(697)
Disposals	246	—	—	21	267
Foreign exchange movement	1	—	—	—	1
Balance at 31 March 2020	(139)	(1,960)	(20)	(2)	(2,121)
Depreciation charge for the year	**(145)**	**(575)**	**(26)**	**(3)**	**(749)**
Disposals	**93**	**—**	**46**	**—**	**139**
Foreign exchange movement	**(2)**	**4**	**—**	**—**	**2**
Balance at 31 March 2021	**(193)**	**(2,531)**	**—**	**(5)**	**(2,729)**
Net book value at 31 March 2019	115	3,423	326	—	3,865
Net book value at 31 March 2020	183	3,404	306	12	3,905
Net book value at 31 March 2021	**148**	**2,854**	**—**	**9**	**3,012**

14. Intangible assets

	Capitalised software £000	Other intangibles £000	Total £000
Cost			
At 1 April 2019	672	—	672
Additions	121	5,145	5,266
Disposals	(130)	(5,145)	(5,275)
At 31 March 2020	663	—	663
Additions	**13**	**35**	**48**
Business combinations	**—**	**2,879**	**2,879**
Disposals	**(197)**	**—**	**(197)**
At 31 March 2021	**479**	**2,914**	**3,393**
Amortisation/impairment			
Balance at 1 April 2019	(201)	—	(201)
Charge for the year	(320)	(3,163)	(3,483)
Disposals	130	3,163	3,293
Impairment	—	(1,982)	(1,982)
Disposals	—	1,982	1,982
Balance at 31 March 2020	(391)	—	(391)
Charge for the year	**(95)**	**(92)**	**(187)**
Disposals	**197**	**—**	**197**
Balance at 31 March 2021	**(289)**	**(92)**	**(381)**
Net book value at 31 March 2019	471	—	471
Net book value at 31 March 2020	272	—	272
Net book value at 31 March 2021	**190**	**2,822**	**3,012**

Other intangibles comprise the capitalised value of the customer contract acquired during the year ended 31 March 2020 as part of the JLEN transaction. This was an asset acquisition where only the contract was acquired and no other assets or liabilities were taken on at acquisition. On the basis of a 12-month notice period in the contract acquired, this intangible asset was amortised over one year. However, upon notice of termination of these contracts on 10 February 2020, the amortisation was accelerated, leading to an impairment charge of £1.9 million which resulted in the remaining net book value at the termination date of this intangible (£5.145 million) being written down to nil value. Subsequent to this termination, a new contract was established with a different Group company.

The other element of other intangibles relates to the intangible asset (being investment management contracts) acquired as part of the PiP transaction discussed further below in note 29. The valuation of investment management contracts represents an estimation of the present value of the earnings that those contracts were expected to generate at the completion date. The net present value was calculated using a discounted profitability model, with reference to the projected profitability of the fund over 20 years based on internal forecasts and a weighted average cost of capital (WACC) of 13.75% using various inputs to reflect the operations which are principally based in the UK. A 1% increase in the WACC would result in a decrease in the intangible asset recognised by £123,382; likewise a 1% decrease would result in an increase of £133,439. The PiP intangible asset is amortised over 20 years. An impairment review was undertaken by reference to the AUM of the funds to which the investment management contracts relate. There were no indicators of impairment of the asset at the reporting date.

The remaining element of intangible assets relates to capitalised software costs, which are amortised over five years. The amortisation charges above are recognised within administrative expenses in the Statement of Comprehensive Income.

15(a). Investments at FVTPL

	Unlisted investments £000
At 31 March 2019	1,206
Additions	381
Fair value movements	(147)
Sales proceeds	(207)
At 31 March 2020	1,233
Additions	**881**
Fair value movements	**192**
Sales proceeds	**(231)**
At 31 March 2021	**2,075**

Investments comprise investments in underlying funds which are measured at fair value.

15(b). Investments in subsidiaries

The Company has investments in the following undertakings:

Entity	Domicile	Type	Country of registration	Interest
Subsidiary undertakings				
Foresight Solar Australia (UK) Limited	UK	Company	England & Wales	100%
Foresight Iberian Solar Development Limited	UK	Company	England & Wales	100%
FGB Sarl	Luxembourg	Company	Luxembourg	100%
Foresight Group Holdings (UK) Limited	UK	Company	England & Wales	100%
Foresight Asset Management Limited	UK	Company	England & Wales	100%
Foresight Fund Managers Limited	UK	Company	England & Wales	100%
Foresight Group (SK) Limited	UK	Company	England & Wales	100%
Pinecroft Corporate Services Limited	UK	Company	England & Wales	100%
Foresight Environmental GP Co. Limited	UK	Company	Scotland	100%
Foresight NF GP Limited	UK	Company	England & Wales	100%
Foresight Environmental FP GP Co. Limited	UK	Company	Scotland	100%
Foresight NF FP GP Limited	UK	Company	England & Wales	100%
Foresight Company 1 Limited	UK	Company	England & Wales	100%
Foresight Company 2 Limited	UK	Company	England & Wales	100%
Foresight Regional Investment General Partner LLP	UK	LLP	Scotland	100%
Foresight Impact Midlands Engine GP LLP	UK	LLP	Scotland	100%
Foresight Regional Investment II General Partner LLP	UK	LLP	Scotland	100%
Foresight Group Equity Finance (SGS) GP LLP	UK	LLP	Scotland	100%
NI Opportunities GP LLP	UK	LLP	Scotland	100%
Foresight Legolas Founder Partner GP LLP	UK	LLP	Scotland	100%
Foresight Infra Hold Co Limited	UK	Company	England & Wales	100%
Foresight Regional Investment III General Partner LLP	UK	LLP	Scotland	100%

Entity	Domicile	Type	Country of registration	Interest
PiP Manager Limited	UK	Company	England & Wales	100%
PiP Multi-Strategy Infrastructure Limited	UK	Company	England & Wales	100%
PiP Multi-Strategy Infrastructure (Scotland) Limited	UK	Company	England & Wales	100%
PiP RP-MA GP LLP	UK	LLP	England & Wales	100%
PiP Multi-Strategy Infrastructure GP LLP	UK	LLP	England & Wales	100%
PiP WM-MA GP LLP	UK	LLP	England & Wales	100%
Foresight Group CI Limited	Guernsey	Company	Guernsey	100%
Foresight European Solar Fund GP Ltd	Jersey	Company	Jersey	100%
Foresight (Guernsey) Limited	Guernsey	Company	Guernsey	100%
Foresight Holdco 2 Limited	UK	Company	England & Wales	100%
VCF II LLP	UK	LLP	England & Wales	100%
Foresight Group LLP	UK	LLP	England & Wales	100%
Foresight Group Promoter LLP	UK	LLP	England & Wales	100%
Foresight Investor LLP	UK	LLP	England & Wales	100%
Foresight Group S.R.L.	Italy	Company	Italy	100%
Foresight Group Australia Pty Limited	Australia	Company	Australia	100%
FGA Ventures Pty Ltd	Australia	Company	Australia	100%
Above It Pty Ltd	Australia	Company	Australia	100%
Foresight Group Australia Services Pty Limited	Australia	Company	Australia	100%
Foresight Group Iberia SL	Spain	Company	Spain	100%
Foresight Energy Infrastructure Partners GP S.à r.l.	Luxembourg	Company	Luxembourg	100%
Foresight Group S.à r.l.	Luxembourg	Company	Luxembourg	100%
Foresight Group Luxembourg S.A.	Luxembourg	Company	Luxembourg	100%
Foresight Solar LLP	UK	LLP	England & Wales	100%
Foresight European Solar Fund CIP GP Limited	UK	Company	Scotland	100%
In liquidation				
Foresight Metering Limited	UK	Company	England & Wales	100%
FMM Holding Limited	UK	Company	England & Wales	100%
Joint venture undertakings				
FV Solar Lab S.R.L.	Italy	Company	Italy	50%
Other undertakings				
VCF Partners	UK	Partnership	England & Wales	100%

16. Investments in equity accounted joint ventures

	Joint venture £000
At 31 March 2019	–
Additions	–
Revaluations	–
Share of profit	235
Repayments	–
At 31 March 2020	235
Additions	–
Share of profit	26
Revaluations	–
Foreign exchange movement	(10)
Repayments	–
At 31 March 2021	**251**

The investment in joint venture relates to a joint venture entered into by Foresight Group S.R.L. which holds a 50% holding in FV Solar Lab S.R.L.

Joint venture

FV Solar Lab S.R.L. is a separate structured vehicle incorporated and operating in Italy. It was setup by the Group and VEI Green on commencement of ForVEI II, an investment platform which specialises in acquiring solar assets in Italy. The platform is managed by the Group and VEI Green who share equally in the assets and liabilities of FV Solar Lab S.R.L. and under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Summarised financial information in relation to the joint venture is presented below. FV Solar Lab S.R.L. has a reporting date of 31 December and therefore management accounts for the year to 31 March have been prepared.

	2021 £000	2020 £000
Profit or loss from continuing operations	26	235
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income		
Translation differences on foreign subsidiaries	(10)	(7)
Total comprehensive income	16	228

17. Trade debtors and other receivables

	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
Trade debtors	10,988	6,842	5,337
Other debtors	4,255	4,494	6,996
Prepayments	2,795	2,898	1,495
Staff advances	2,680	1,600	–
	20,718	15,834	13,828

The Directors consider that the carrying value of trade and other receivables approximates to their fair value. All trade debtors and other receivables are due within one year. Staff advances at 31 March 2021 and 31 March 2020 have been made in order to retain key staff. The advances are expensed over five years in line with the contractual terms of the advances but are repayable if the relevant individual leaves the Group.

The ageing profile of the Group's trade receivables is as follows:

	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
Current	7,139	3,607	1,806
Overdue			
< 30 days	101	506	935
30-60 days	526	521	233
60-90 days	77	239	485
> 90 days	3,145	1,969	1,878
	10,988	6,842	5,337

The movement in the impairment allowance for trade receivables is as follows:

	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
Brought forward provision	(532)	(264)	(339)
Utilised	226	23	56
Profit and loss (charge)/credit	74	(291)	19
Carried forward provision	(232)	(532)	(264)

Trade receivables include amounts which are past due at the reporting date but against which the Group has not recognised a provision for impairment as there has been no significant change in credit quality and the amounts are still considered recoverable.

In determining the recoverability of trade receivables the Directors considered any change in the credit quality of the trade receivable from the date the credit was initially granted up to the reporting date.

18. Cash and cash equivalents

	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
Cash and cash equivalents per balance sheet	39,431	13,002	10,067
Cash and cash equivalents per cash flow statements	39,431	13,002	10,067

19. Trade and other payables

	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
Trade creditors	1,175	1,570	672
Accruals	8,402	8,002	5,687
Deferred income	541	73	243
Other creditors	5,244	4,469	4,003
VAT and PAYE	3,520	1,299	1,569
Corporation tax	143	72	–
Hire purchase	–	–	2
Shareholder loan	–	750	–
Partnership capital contributions	1,619	163	–
	20,644	16,398	12,176

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider the carrying amount of trade and other payables approximates to their fair value when measured by discounting cash flows at market rates of interest as at the balance sheet date. Deferred income relates to fees received in advance. The Shareholder loan relates to a short-term unsecured loan of £750,000 at nil interest to Foresight Group Holdings Limited from Bernard Fairman which was fully repaid during the year ended 31 March 2021. Partnership capital contributions relate to contributions by members to Foresight Group LLP.

20. Creditors due after more than one year

	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
LTIP accrual	295	–	–
	295	–	–

The LTIP accrual was acquired as part of the PiP acquisition (note 29) – the Group agreed to take on this liability as part of the acquisition agreement and considers its fair value is materially in line with book value.

21. Leases

Set out below are the carrying amounts of the right-of-use assets recognised and associated lease liabilities (included under short and long-term creditors) together with their movements over the period. The leases all relate to the offices of the Group as follows:

VCF Partners/VCF II LLP

- 23rd Floor Shard, London
- 18th Floor Shard, London
- Park Row, Nottingham 3rd Floor
- Park Row, Nottingham 4th Floor

Foresight Group LLP

- George Street, Edinburgh, Scotland
- Station Road, Cambridge
- King Street, Manchester

Foresight Group S.R.L.

- Piazza Barberini, Rome

Foresight Group Iberia SL

- Planta Tercera, Madrid

The leases are typically of ten years' duration.

Following the IPO, the leases held in the books of VCF Partners were transferred to VCF II LLP, a newly incorporated entity within the Group.

	Land and buildings £000
Right-of-use asset	
At 1 April 2019	10,627
Additions	1,358
Depreciation	(1,639)
Closing balance at 31 March 2020	10,346
Additions	486
Depreciation	(1,712)
Closing balance at 31 March 2021	9,120
Lease liability	
At 1 April 2019	13,592
Short term	1,495
Long term	12,097
Additions	1,358
Lease payment	(2,162)
Interest	691
Foreign exchange	19
Closing balance at 31 March 2020	13,498
Short term	1,945
Long term	11,553
	13,498
Additions	486
Lease payment	(2,570)
Interest	621
Foreign exchange	(16)
Closing balance at 31 March 2021	12,019
Short term	2,157
Long term	9,862
	12,019

The maturity analysis of lease liabilities is:

Total £000	Less than one year £000	One to two years £000	Two to five years £000	More than five years £000
13,817	2,712	2,735	7,289	1,081

21. Leases continued

The following are the amounts recognised in the Consolidated Statement of Comprehensive Income:

	31 March 2021 £000	31 March 2020 £000
Depreciation expense on right-of-use assets	(1,713)	(1,639)
Interest expense on lease liabilities	(621)	(692)
	(2,334)	(2,331)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the Statement of Financial Position at the date of initial application was 4.79%.

In accordance with IFRS 16.53(c), (d) and (e) (in respect of short-term, low-value and variable lease expenses), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16 for these items. This expense is presented within administrative expenses in the Consolidated Statement of Comprehensive Income as follows: year ended 31 March 2021: £240,809, year ended 31 March 2020: £221,450.

There were no material residual value guarantees or contractual dilapidation commitments that impacted the initial recognition value for ROU assets and lease liability.

22. Deferred taxation liability

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19% (2020 and 2019: 19%).

The movement on the deferred tax account is as shown below:

	2021 £000	2020 £000
At 1 April	20	—
Recognised in profit and loss		
Tax expense	(236)	20
	(216)	20
Arising on business combination		
Intangible asset	(547)	—
Other temporary and deductible differences	159	—
At 31 March	(604)	20

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets where the Directors believe it is probable that these assets will be recovered.

A provision has been made for the deferred tax liability associated with the recognition of an intangible asset as part of the acquisition of PiP Manager Limited at 19% of its fair value. Subsequent movement in line with amortisation of the intangible asset has been recognised in the income statement and at 31 March 2021 the deferred tax liability was £547,091. The fair value of the deferred tax asset recognised for tax losses was determined to be £159,022 on acquisition, an increase of £109,127 compared to its carrying value.

The movements in deferred tax assets and liabilities during the period are shown below:

	Asset 2021 £000	Liability 2021 £000	Net 2021 £000	(Charged)/ credited to profit or loss 2021 £000	(Charged)/ credited to equity 2021 £000
Other temporary and deductible differences	858	(1,051)	(193)	(213)	—
Business combinations – intangible asset	—	(530)	(530)	17	—
Business combinations – other temporary and deductible differences	119	—	119	(40)	—
	977	(1,581)	(604)	(236)	—

	Asset 2020 £000	Liability 2020 £000	Net 2020 £000	(Charged)/ credited to profit or loss 2020 £000	(Charged)/ credited to equity 2020 £000
Other temporary and deductible differences	20	—	20	20	—
	20	—	20	20	—

23. Other interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate and foreign currency risk, see note 27.

	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
Current liabilities			
Loans	688	—	—
Non-current liabilities			
Loans	3,636	—	—
	4,324	—	—

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	31 March 2021 Carrying amount[1] £000
Unsecured loan	GBP	2%	2027	4,324

1. The carrying amount of these loans and borrowings equates to the fair value.

The movement on the above loans may be summarised as follows:

	31 March 2021 £000
At 1 April 2020	—
At acquisition	4,242
Interest	82
At 31 March 2021	4,324

24. Employee benefits

The Group operates a number of defined contribution pension plans, all of which have materially the same characteristics and risk profile.

The amounts charged to the profit and loss in the Consolidated Statement of Comprehensive Income in respect of these schemes represents contributions payable in respect of the accounting period. The total annual pension cost for the defined contribution schemes was £601,000 for the year ended 31 March 2021 (31 March 2020: £456,000).

25. Share capital and other reserves

The Company had issued and allotted share capital of 108,333,333 Ordinary Shares of nil par value at 31 March 2021.

Ordinary Shares and preference shares

	31 March 2021 £	31 March 2020 £	1 April 2019 £
Share capital			
Ordinary Shares	–	–	–
Preference shares brought forward	849	853	859
Preference shares redeemed	(849)	(4)	(6)
Preference shares carried forward	–	849	853

Ordinary Shares

	31 March 2021 Number	31 March 2021 £	31 March 2020 Number	31 March 2020 £	1 April 2019 Number	1 April 2019 £
A shares of no par value						
In issue at start of the year	1	–	10,000	–	10,000	–
Cancelled during the year	(1)	–	(9,999)	–	–	–
In issue at end of the year	–	–	1	–	10,000	–
B shares of no par value						
In issue at start of the year	539,840	–	436,657	–	376,644	–
Issued during the year	464,215	–	197,700	–	60,013	–
Cancelled during the year	(4,055)	–	(94,517)	–	–	–
Redesignated during the year	(1,000,000)	–	–	–	–	–
In issue at end of the year	–	–	539,840	–	436,657	–
D shares of no par value						
In issue at start of the year	1,000	–	1,000	–	1,000	–
Cancelled during the year	(1,000)	–	–	–	–	–
In issue at end of the year	–	–	1,000	–	1,000	–
E shares of no par value						
In issue at start of the year	–	–	1,000	–	1,000	–
Cancelled during the year	–	–	(1,000)	–	–	–
In issue at end of the year	–	–	–	–	1,000	–
F shares of no par value						
In issue at start of the year	1,000	–	1,000	–	1,000	–
Cancelled during the year	(1,000)	–	–	–	–	–
In issue at end of the year	–	–	1,000	–	1,000	–
H shares of no par value						
In issue at start of the year	1,000	–	1,000	–	1,000	–
Cancelled during the year	(1,000)	–	–	–	–	–
In issue at end of the year	–	–	1,000	–	1,000	–
I shares of no par value						
In issue at start of the year	1,000	–	1,000	–	1,000	–
Cancelled during the year	(1,000)	–	–	–	–	–
In issue at end of the year	–	–	1,000	–	1,000	–
J shares of no par value						
In issue at start of the year	1,000	–	1,000	–	1,000	–
Cancelled during the year	(1,000)	–	–	–	–	–
In issue at end of the year	–	–	1,000	–	1,000	–
L shares of no par value						
In issue at start of the year	1,000	–	1,000	–	1,000	–
Cancelled during the year	(1,000)	–	–	–	–	–
In issue at end of the year	–	–	1,000	–	1,000	–

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 MARCH 2021

25. Share capital and other reserves continued

Ordinary Shares continued

	31 March 2021 Number	31 March 2021 £	31 March 2020 Number	31 March 2020 £	1 April 2019 Number	1 April 2019 £
M shares of no par value						
In issue at start of the year	1,000	—	1,000	—	1,000	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	1,000	—
N shares of no par value						
In issue at start of the year	1,000	—	1,000	—	1,000	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	1,000	—
P shares of no par value						
In issue at start of the year	1,000	—	1,000	—	1,000	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	1,000	—
Q shares of no par value						
In issue at start of the year	1,000	—	1,000	—	1,000	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	1,000	—
R shares of no par value						
In issue at start of the year	1,000	—	1,000	—	1,000	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	1,000	—
S shares of no par value						
In issue at start of the year	1,000	—	1,000	—	—	—
Issued during the year	—	—	—	—	1,000	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	1,000	—
T shares of no par value						
In issue at start of the year	1,000	—	1,000	—	—	—
Issued during the year	—	—	—	—	1,000	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	1,000	—
U shares of no par value						
In issue at start of the year	1,000	—	1,000	—	—	—
Issued during the year	—	—	—	—	1,000	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	1,000	—

	31 March 2021 Number	31 March 2021 £	31 March 2020 Number	31 March 2020 £	1 April 2019 Number	1 April 2019 £
V shares of no par value						
In issue at start of the year	1,000	—	—	—	—	—
Issued during the year	—	—	1,000	—	—	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	—	—
W shares of no par value						
In issue at start of the year	1,000	—	—	—	—	—
Issued during the year	—	—	1,000	—	—	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	—	—
X shares of no par value						
In issue at start of the year	1,000	—	—	—	—	—
Issued during the year	—	—	1,000	—	—	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	—	—
Y shares of no par value						
In issue at start of the year	1,000	—	—	—	—	—
Issued during the year	—	—	1,000	—	—	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	—	—
Z shares of no par value						
In issue at start of the year	1,000	—	—	—	—	—
Issued during the year	—	—	1,000	—	—	—
Cancelled during the year	(1,000)	—	—	—	—	—
In issue at end of the year	—	—	1,000	—	—	—
AA shares of no par value						
In issue at start of the year	500	—	—	—	—	—
Issued during the year	—	—	500	—	—	—
Cancelled during the year	(500)	—	—	—	—	—
In issue at end of the year	—	—	500	—	—	—
Ordinary Shares of no par value						
Redesignated	1,000,000	—	—	—	—	—
Subdivided	99,000,000	—	—	—	—	—
Issued	8,333,333	—	—	—	—	—
In issue at end of the year	108,333,333	—	—	—	—	—

25. Share capital and other reserves continued

Rights for each Ordinary Share class

New Ordinary Shares

The rights attaching to the shares are uniform in all respects and they form a single class for all purposes, including with respect to voting and for all dividends and other distributions declared, made or paid on the Ordinary Share capital of the Company.

Subject to any rights and restrictions attached to any shares, on a show of hands every Shareholder who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per share.

Except as provided by the rights and restrictions attached to any class of shares, Shareholders are under general law entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.

Note that for all share classes discussed below in the following sub-section, these shares were cancelled at the date of the IPO and replaced with the new Ordinary Shares discussed above.

A shares

Rights:

Income – entitled to receive and participate in dividends or other distributions attributable to the A shares resolved by the Board to be so distributed in respect of any accounting period or any other income or right to participate therein.

Capital – entitled on a winding up or sale to participate in the distribution of capital in the manner described in Companies Law and solely in respect of amounts paid up on such A shares.

Voting – entitled to receive notice of and to attend general meetings of the Company but not vote at such meetings.

B shares

Rights:

Income – entitled to receive and participate in dividends or other distributions attributable to the B shares resolved by the Board to be so distributed in respect of any accounting period or any other income or right to participate therein.

Capital – entitled on a winding up or sale to participate in the distribution of capital in the manner described in Companies Law and in proportion to the number of B shares held by them.

Redemption – redeemable at the option of the Company upon the member ceasing to be an employee or ceasing to hold the shares for an employee.

Voting – entitled to receive notice of and to attend and vote at general meetings of the Company.

D to AA shares ("Alphabet shares" – each a separate share class)

Rights:

Income – entitled to receive and participate in dividends or other distributions attributable to the respective class of the Alphabet shares resolved by the Board to be so distributed in respect of any accounting period or any other income or right to participate therein.

Capital – entitled on a winding up or sale to participate in the distribution of capital in the manner described in Companies Law and solely in respect of amounts paid up on such Alphabet shares.

Voting – entitled to receive notice of and to attend general meetings of the Company but not vote at such meetings.

Dividends paid on the above Shares are included in note 12 above.

Preference shares

	31 March 2021 £	31 March 2020 £	1 April 2019 £
Allotted, called up and fully paid			
Redeemable shares of no par value paid up at £1 per share			
At 1 April	849	853	859
Fully redeemed and cancelled during the year	(849)	(4)	(6)
	–	849	853

These were held in the books of Foresight Group CI Limited ("FGCI") for the benefit of Beau Port Investments Limited. The redeemable shares were redeemable at the sole option of FGCI, had no par value and had no voting rights, save in respect of any resolution to change the rights attached to them.

The Articles of Association of FGCI gave it the power to issue an unlimited number of shares of no par value as permitted by law.

The redemptions of preference shares over the period are included in note 12 above.

The preference shares were fully redeemed during the year ended 31 March 2021 (pre-IPO).

Group reorganisation reserve

The Group reorganisation reserve consists of the Ordinary Share capital of FGCI. As there is no investment in FGCI held in the books of any holding companies (Foresight Group Holdings Limited) this balance is left as a Group reserve.

Retained earnings

Includes all current and prior period retained profits and losses.

Share-based payment reserve

The share-based payment reserve represents the cumulative cost of share-based payments associated with the Foresight plan, see note 35.

Share premium

Ordinary Shares issued by the Group are recognised at the proceeds or fair value received, with the excess of the amount received over nominal value being credited to the share premium account (net of the direct costs of issue) as follows:

	£000
At 1 April 2019 and 2020	–
Cash on primary raise	35,000
Transaction costs of primary raise	(2,960)
At 31 March 2021	**32,040**

The total transaction costs relating to the IPO amounted to £5.275 million, of which £2.96 million was taken to the share premium account and £2.3 million was expensed through administrative expenses in the Statement of Comprehensive Income.

26. Commitments and contingencies

There were no capital commitments at 31 March 2020 or 31 March 2021.

27. Financial instruments – classification and measurement

Financial assets

Financial assets comprise cash and cash equivalents, trade receivables and other receivables (at amortised cost) and unlisted investments (at FVTPL), as follows:

	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
Trade and other receivables	**17,923**	12,936	12,333
Cash and cash equivalents	**39,431**	13,002	10,067
Unlisted investments	**2,075**	1,233	1,206
	59,429	27,171	23,606

Financial liabilities

Financial liabilities measured at amortised cost comprise trade payables and other creditors/accruals as follows:

	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
Trade creditors	**1,175**	1,570	672
Other creditors and accruals	**18,785**	14,683	11,260
	19,960	16,253	11,932

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), liquidity risk and credit risk. Risk management is carried out by the Board of Directors. The Group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

(a) Market risk

(i) Market price risk

Market price risk arises from uncertainty about the future prices of financial instruments held in accordance with the Group's investment objectives. It represents the potential loss that the Group might suffer through holding market positions in the face of market movements.

The investments in equity and loan stocks of unquoted companies are rarely traded and as such the prices are more difficult to determine than those of more widely traded securities. In addition, the ability of the Group to realise the investments at their carrying value will at times not be possible if there are no willing purchasers. The potential maximum exposure to market price risk, being the value of the investments as at 31 March 2021, was £2.1 million (31 March 2020: £1.2 million).

(ii) Interest rate risk

The Group has only £4.3 million of external debt, related to the PiP acquisition during the year ended 31 March 2021 (see note 29 below) with a fixed interest rate. As the interest rates on Shareholders' loans and lease contracts are also fixed, interest rate risk is considered to be very low. Floating rate investments relate to the interest-bearing deposit account which earned interest based on the Bank of England rate of 0.1% at 31 March 2021. As at 31 March 2021, if the interest rate increased or decreased by ten basis points the interest earned would increase or decrease by £4,000.

(iii) Foreign exchange risk

The Group is not exposed to significant foreign exchange translation or transaction risk as the Group's activities are primarily within the UK. Foreign exchange risk is therefore considered immaterial.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group ensures that it has sufficient cash or working capital facilities to meet the cash requirements of the Group in order to mitigate this risk. Foresight is financed through a combination of share capital, undistributed profits and cash.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. In order to minimise the risk, the Group endeavours only to deal with companies which are demonstrably creditworthy and this, together with the aggregate financial exposure, is continuously monitored. The maximum exposure to credit risk is the value of the outstanding amount.

The Group does not consider that there is any concentration of risk within either trade or other receivables. There are no impairments to trade or other receivables in each of the years presented.

Credit risk on cash and cash equivalents is considered to be very low as the counterparties are all substantial banks with high credit ratings.

Capital risk management

The Group is equity funded and this makes up the capital structure of the business. Equity comprises share capital, share premium and retained profits and is equal to the amount shown as "Equity" in the balance sheet.

The Group's current objectives when maintaining capital are to:

- Safeguard the Group's ability as a going concern so that it can continue to pursue its growth plans
- Maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long term
- Maintain regulatory capital
- Provide a reasonable expectation of future returns to Shareholders

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

During the year to 31 March 2021, the Group's strategy remained unchanged and all regulatory capital requirements of subsidiaries in the Group were complied with. Foresight Group LLP has documented its Pillar III disclosures required by the Financial Conduct Authority under BIPRU 11. These are available on the Foresight Group website or from its registered office.

Fair value hierarchy

Unquoted investments represents the Group's share of the value of the underlying investments held across various Funds Under Management. These unquoted investments are valued on a net asset basis by the Group. The actual underlying investments are valued in accordance with the following rules, which are consistent with the IPEV Valuation Guidelines. When valuing an unquoted investment at fair value the following factors will be considered:

(i) Where a value is indicated by a material arms-length transaction by an independent third party in the shares of a company, this value will be used

(ii) In the absence of (i), and depending upon both the subsequent trading performance and investment structure of an investee company, the valuation basis will usually move to either:

(a) an earnings multiple basis. The shares may be valued by applying a suitable multiple to that company's historic, current or forecast earnings before tax, interest, depreciation and amortisation (the ratio used being based on a comparable sector but the resulting value being adjusted to reflect points of difference identified compared to the sector including, inter alia, illiquidity); or

(b) where a company's under-performance against plan indicates a diminution in the value of the investment, a write down against cost is made, as appropriate. Where the value of an investment has fallen permanently below cost, the loss is treated as a permanent write down and as a realised loss, even though the investment is still held. The Group assesses the portfolio for such investments and, after agreement with the relevant manager, will agree the values that represent the extent to which a realised loss should be recognised. This is based upon an assessment of objective evidence of that investment's future prospects, to determine whether there is potential for the investment to recover in value

(iii) Premiums on loan investments are accrued at fair value when the Company receives the right to the premium and when considered recoverable

(iv) Where an earnings multiple or cost less impairment basis is not appropriate and overriding factors apply, discounted cash flow, a net asset valuation, or industry specific valuation benchmarks may be applied. An example of an industry specific valuation benchmark would be the application of a multiple to that company's historic, current or forecast turnover (the multiple being based on a comparable sector but with the resulting value being adjusted to reflect points of difference including, inter alia, illiquidity)

27. Financial instruments – classification and measurement continued

Fair value hierarchy continued

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2)
- Inputs for the instrument that are not based on observable market data (unobservable inputs) (Level 3)

As at 31 March 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Unquoted investments	—	—	2,075	2,075
Net financial instruments	—	—	2,075	2,075

As at 31 March 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Unquoted investments	—	—	1,233	1,233
Net financial instruments	—	—	1,233	1,233

As at 1 April 2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Unquoted investments	—	—	1,206	1,206
Net financial instruments	—	—	1,206	1,206

Transfers

During the period there were no transfers between Levels 1, 2 or 3.

The unobservable inputs may be summarised as follows:

Asset class and valuation	March 2021 fair value £000	Significant unobservable inputs	Range estimates	Sensitivity factor	Change in fair value £000
Net financial instruments	2,075	NAV	1x	+/-5%	+/- 103.7

As can be seen in the table above, the most significant unobservable input is in relation to the NAV of the relevant investments. A change of 5% to this assumption would increase or decrease the value of these investments by £103,700.

28. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of shares in issue during the period.

There were no dilutive share options in issue during the period.

	31 March 2021 £000	31 March 2020 £000
Earnings		
Earnings for the purposes of basic earnings per share, being profit attributable to the owners of the parent company	15,174	56,021
Continuing activities	15,174	1,746
Discontinued activities	—	54,275

	31 March 2021	31 March 2020
Number of shares		
Weighted average number of shares in issue during the period (000)	101,780	94,918
Earnings per share Group (Basic)	£0.15	£0.59
Earnings per share continuing (Basic)	£0.15	£0.02
Earnings per share discontinued (Basic)	—	£0.57
Earnings per share Group (Diluted)	£0.15	£0.59
Earnings per share continuing (Diluted)	£0.15	£0.02
Earnings per share discontinued (Diluted)	—	£0.57

29. Business combinations

Details of the acquisition in the year ended 31 March 2021 are as follows:

Business	Country of incorporation	Nature of activity	Date of acquisition	Consideration £000	Percentage ownership
PiP Manager Limited	UK	Asset management services to pension funds	18 August 2020	5,339	100%

The entity was acquired via direct investment in the share capital of the target. The following subsidiaries of PiP Manager Ltd were also acquired:

- PiP Multi-Strategy Infrastructure Limited
- PiP Multi-Strategy Infrastructure (Scotland) Limited
- PiP RP-MA GP LLP
- PiP Multi-Strategy Infrastructure GP LLP
- PiP WM-MA GP LLP

The carrying amount of assets and liabilities in the books of the acquiree at the date of acquisition was as follows:

	£000
Trade and other receivables	377
Cash and cash equivalents	3,446
Trade and other payables	(362)
Non-current payables	(439)
Deferred taxation asset	50
Total carrying value	3,072

29. Business combinations continued

Purchase consideration was £1.1 million of cash and £4.2 million of loans due to the vendors taken on by the Group at acquisition (further details of these loans are included in note 23 above). Transaction costs of £184,000 (which have been expensed) comprise adviser fees, including financial, tax and legal due diligence costs. Consideration is broken down as follows:

	£000
Cash paid	1,098
	1,098
Founder loans taken on	4,241
Total consideration	**5,339**

The above acquisition is reflected in the cash flow statement as follows:

	£000
Cash paid	(1,098)
	(1,098)
Cash acquired on acquisition of subsidiary	3,446
Total per cash flow statement	**2,348**

The following intangible assets were recognised at acquisition:

	£000
Intangible asset – customer lists	**2,879**

The fair values of the assets and liabilities arising from the acquisition are as follows:

	£000
Intangible asset	2,879
Trade and other receivables	377
Cash and cash equivalents	3,446
Trade and other payables	(362)
Non-current payables	(439)
Deferred taxation asset	159
Deferred taxation liability – intangible asset	(547)
Net assets acquired	5,513
Consideration	5,339
Gain on bargain purchase	(174)
Transaction costs	*184*

The fair value of the intangible asset above was derived from cash flow forecasts for the PiP standalone business, over a 20-year period using a 13.75% discount rate based on the weighted average cost of capital ("WACC") derived from a capital asset pricing model ("CAPM"). The intangible is being amortised over a useful life of 20 years.

The acquisition of PiP resulted in a small gain on bargain purchase as a result of the assessment of fair value of assets acquired and liabilities assumed marginally exceeding the total of the fair value of the purchase consideration. The Group has credited the gain on bargain purchase to the Consolidated Statement of Comprehensive Income during the year ended 31 March 2021, within administrative expenses.

Amounts that the acquisition contributed to both Group revenue and profit in the post-acquisition period are as follows:

	£000
Revenue contribution	1,432
Profit before tax contribution	212

30. Discontinued operations

On 13 November 2019, the Group disposed of 100% of its interests in Foresight Metering Management Ltd ("FMML") for a cash consideration of £103,309,554.

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the results of these operations have been reclassified as discontinued operations in these consolidated financial statements. Profit from discontinued operations for the years ended 31 March 2020 and 2021 has been shown as a single line in the Consolidated Statement of Comprehensive Income and net cash flows from discontinued operations have been shown as a single line in the Consolidated Cash Flow Statement.

Further analysis of the results and cash flows for the discontinued operations presented in the consolidated financial statements is shown below.

The post-tax gain on disposal of discontinued operations was determined as follows:

	31 March 2021 £000	31 March 2020 £000
Cash consideration received	–	103,310
Other consideration received	–	–
Cash paid on disposal	–	(9,270)
Total consideration received	–	94,040
Cash disposed of	–	(5,452)
Net cash inflow on disposal of discontinued operation	–	88,588
Net assets disposed (other than cash)		
Property, plant and equipment	–	(66,934)
Intangibles	–	(12,898)
Intangibles – goodwill	–	(19,970)
Stock, trade receivables and other receivables	–	(7,039)
Trade and other payables	–	7,745
Other financial liabilities	–	65,542
Deferred tax liability	–	2,193
Pre-tax gain on disposal of discontinued operation	–	57,227
Related tax expense	–	–
Gain on disposal of discontinued operation	–	57,227

Results of discontinued operations

	31 March 2021 £000	31 March 2020 £000
Revenue	–	9,153
Expenses other than finance costs	–	(6,465)
Finance costs	–	(5,239)
Tax expense/credit	–	(401)
Gain from selling discontinued activities, net of tax	–	57,227
Profit on discontinued activities	–	54,275

	31 March 2021 £	31 March 2020 £
Basic earnings/(loss) per share	–	0.57

30. Discontinued operations continued

Statement of cash flows

	31 March 2021 £000	31 March 2020 £000
Operating activities	—	(3,150)
Financing activities	819	(5,452)
Investing activities	—	53,935
Net cash flows from discontinued activities	819	45,333

The cash inflow in the year ended 31 March 2021 relates to the residual cash at bank in Foresight Metering Limited which was transferred to the Group.

31. Assets and liabilities of disposal group

The assets and liabilities of operations classified as a disposal group as at 1 April 2019, 31 March 2020 and 31 March 2021 are as follows:

	31 March 2021 £000	31 March 2020 £000	1 April 2019 £000
Assets			
Fixed assets			
Tangible assets	—	—	27
Intangible assets	—	—	12,898
Intangible assets – goodwill	—	—	19,970
Current assets			
Stock	—	—	2,067
Debtors < 1 year	—	—	2,728
Investment in finance leases	—	—	58,978
Cash	65	891	4,069
Total assets	65	891	100,737
Liabilities			
Creditors < 1 year	(1)	(9)	(24,961)
Creditors > 1 year	—	—	(45,383)
Deferred tax liability	—	—	(2,193)
Share capital	—	—	(362)
Preference shares	—	—	(35,865)
Growth shares	—	—	(33)
Total liabilities	(1)	(9)	(108,797)

The assets and liabilities of the disposal group relate to the disposal of FMML as summarised in note 30 above.

The assets above at 31 March 2021 and 2020 relate to residual cash balances in Foresight Metering Ltd. The liabilities at the same dates relate to accruals made for liquidator costs.

32. Related party transactions

Transactions between the parent company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed.

Transactions with key management personnel

The Group considers the Executive Committee ("Exco") members as the key management personnel and the table below sets out all transactions with these personnel:

	31 March 2021 £000	31 March 2020 £000
Emoluments	830	1,008
Partnership profit share	3,217	3,616
Equity dividends	9,319	1,260
Capital redemptions	4,763	2,416
Share buybacks	10	24,197
Private medical insurance	8	8
Other benefits	1	—
IPO proceeds	148,070	—
Total	166,218	32,505

Loans to and from Shareholders

A loan of £500,000 was made to a Shareholder on 19 December 2019. It was interest free provided the loan was repaid by the repayment date (31 March 2020). The loan was repaid on 31 March 2020 following the buyback of some of the Shareholder's shares.

During the year ended 31 March 2020, Bernard Fairman made a short-term unsecured loan of £750,000 at nil interest to the Company. This loan was repaid on 18 December 2020.

Staff advances

During the year ended 31 March 2020, £1,600,000 of staff advances were made to various members of Foresight Group LLP. The advances are to be expensed over five years in line with the contractual terms of the advances but are repayable if the relevant individuals leave the Group. During the year ended 31 March 2021, a further £1,500,000 of advances were made by Foresight Group LLP and £100,000 by Foresight Group Holdings Limited and £440,000 of the advances were expensed.

Disposal of long leasehold property

On 2 February 2021, the leasehold interest for Flat 18, Railway & Bicycle, 205 London Road, Sevenoaks was purchased from Foresight Group LLP by Julia Fairman, the wife of the Executive Chairman of the Group, for £450,000 (being the fair market value). As part of this transaction, it was agreed that Foresight Group LLP will continue to pay any council tax, utilities, services charges and rates payable in connection with the flat for as long as Bernard Fairman acts as Executive Chairman of FGHL.

Other related party transactions

At 31 March 2021, the Company owed Beau Port Investments Limited, a privately owned company of Bernard Fairman, £530,000 in unpaid dividends. This balance is to be fully repaid by 31 March 2022 and Bernard Fairman has agreed to reduce his salary for the year ending 31 March 2022 as a result of this dividend.

33. Ultimate holding company

Foresight Group Holdings Limited is the ultimate parent company of a group of companies that form the Group presented in this financial information. The Company is a company incorporated and domiciled in Guernsey.

34. Subsequent events

There are no material subsequent events to report from 31 March 2021 to the date of issue of these accounts.

35. Share-based payments

The cost related to share-based payments recognised by the Group in the Consolidated Statement of Comprehensive Income is shown below:

	31 March 2021 £000	31 March 2020 £000
Foresight Plan	35	349

The Foresight Plan

The Foresight Plan was introduced in 2014 and provided for the grant of shares to members of staff. Shares granted under the Foresight Plan vested after the members of staff had reached an uninterrupted period of service of ten years with Foresight Group (or any of its subsidiaries). Shares granted under the Foresight Plan were accounted for as equity-settled. The Foresight Plan ceased in February 2021.

The equity-settled payments below represent the share-based payments related to the Foresight Plan. The valuation attributed to the payments was on an EBITDA market multiple basis; this did not take into consideration any future dividends or other features of equity instruments in determining this valuation.

Total expense for each year in which shares were granted (excluding national insurance) was as follows:

Year of grant	31 March 2021 £	31 March 2020 £
2014	—	121,023
2015	6,589	62,516
2016	—	133,604
2017	587	781
2018	5,721	7,614
2019	7,577	13,115
2020	14,752	9,979
2021	—	—
Total Foresight share-based payments expense reported in comprehensive income	35,226	348,632

Unvested shares outstanding under the Foresight Plan were as follows:

	31 March 2021		31 March 2020	
	Number of shares granted	Weighted average share price £	Number of shares granted	Weighted average share price £
At the beginning of the year	45,605	6	16,030	119
Granted	11,654	4	36,498	3
Vested	(1,830)	(12)	(6,923)	(254)
Extinguished	(55,429)	(4)	—	—
Awards outstanding at year end	—	—	45,605	6

The Foresight SIP

Under the Foresight Share Incentive Plan ("SIP") for each one partnership share that an employee buys, Foresight offers two free matching shares. In each tax year, employees can buy up to £1,800 or 10% of salary (whichever is lower) of partnership shares from their pre-tax salary. If an employee leaves the Group, any matching shares held for less than three years will be withdrawn, i.e. the vesting period of the matching shares is three years with the performance condition of continuous service. The SIP scheme was accounted for as an equity-settled share-based payment transaction. The first grant date of the SIP scheme was 28 February 2021 which would give rise to a £10,000 expense in the current financial year but will be accounted for next year as it was trivial to include in the current financial year.

The Pensions Infrastructure Platform Ltd ("PiP") LTIP

PiP operates a cash LTIP scheme that is subject to specific performance criteria that are assessed over a two-year period and a subsequent vesting period of three years before the cash is paid out in stages. The award made in 2017 is now fully vested and accruals for the amounts due within the year of £136,500 and amounts due after one year of £297,098 have been recognised.

GLOSSARY

Absolute TSR	Share price appreciation plus dividends paid to show total return to a Shareholder, expressed as a percentage
AITS	Foresight's Accelerated Inheritance Tax Solution
AUM	Assets Under Management (FUM + DUM)
BPIL	Beau Port Investments Limited
BR	Business Relief
CAGR	Compound Annual Growth Rate
CASS	The Financial Conduct Authority's Client Assets Sourcebook
CFO	Chief Financial Officer of Foresight Group
CIO	Chief Investment Officer of Foresight Group
Company	Foresight Group Holdings Limited
COO	Chief Operating Officer
Core EBITDA	Core earnings before interest, taxes, depreciation and amortisation. See explanation in note 7 of the financial statements
CRO	Chief Risk Officer of Foresight Group
D&I	Diversity and Inclusion
DUM	Debt Under Management
ECL	Expected Credit Losses
EIS	Enterprise Investment Scheme
EPS	Earnings per share
ESG	Environmental, Social and Governance
Ethical Standard	FRC's Revised Ethical Standard (2019)
FEIP	Foresight Energy Infrastructure Partners
FGCI	Foresight Group CI Limited
FGLLP/LLP	Foresight Group LLP
Foresight/ Foresight Group/Group	Foresight Group Holdings Limited together with its direct and indirect subsidiary undertakings
FPPP report	Financial Position Prospects and Procedures report
FSFL	Foresight Solar Fund Limited
FTE	Full-Time Equivalent
FUM	Funds Under Management
FVTPL	Fair value through profit and loss
FY20/21/22	Year ending 31 March 2020/21/22
GHGs	Greenhouse gases
Gross fundraising	Gross institutional funds raised and gross retail funds raised
HR	Human Resources
IBR	Incremental Borrowing Rate
IFRS	International Financial Reporting Standard(s)
IPCC	International Panel on Climate Change
IPO	Initial Public Offering
ISAE 3402	International Standard on Assurance Engagements – 3402, Assurance Reports on Controls at a Service Organisation
ITS	Foresight's Inheritance Tax Solution
JLEN	JLEN Environmental Assets Group
MAR	Market Abuse Regulation being the UK version of Regulation (EU) No 596/2014 which has effect in English law by virtue of the European Union (Withdrawal) Act 2018
NAV	Net Asset Value
NEDs	Non-Executive Directors
Net fundraising	Gross funds raised less outflows of funds for the same period (predominantly consisting of outflows through the OEICs)
OEIC	Open Ended Investment Company
PiP	Pensions Infrastructure Platform
PRI	The UN's Principles for Responsible Investment
PSP	Performance Share Plan
Recurring revenue	Management, secretarial and Directors' fees
ROU	Right-of-use assets
SDG	Sustainable Development Goals
SEC	Sustainability Evaluation Criteria
Shareholder	Holder of the Company's Ordinary Shares
SIP	Share Incentive Plan
TCFD	Task Force on Climate-related Financial Disclosures
the Code	The UK Corporate Governance Code
ToR	Terms of Reference
TSR	Total Shareholder Return
UNGC	UN Global Compact
VCT	Venture Capital Trust

CORPORATE INFORMATION

Registered number
51521

Directors
Bernard Fairman
(Executive Chairman)

Gary Fraser
(Chief Financial Officer and Chief Operating Officer)

Alison Hutchinson, CBE
(Senior Independent Non-Executive Director)

Geoffrey Gavey
(Independent Non-Executive Director)

Mike Liston, OBE
(Independent Non-Executive Director)

Company Secretary
Jo-anna Nicolle

Registered office
Ground Floor
Dorey Court
Admiral Park
St Peter Port
Guernsey GY1 2HT

Principal office
The Shard
32 London Bridge St
London SE1 9SG

Sponsor, Joint Global Co-ordinator and Joint Bookrunner
Numis Securities Limited
London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Joint Global Co-ordinator and Joint Bookrunner
Jefferies International Limited
100 Bishopsgate
London EC2N 4JL

English and US legal advisers
Travers Smith LLP
10 Snow Hill
London EC1A 2AL

Guernsey legal advisers
Ogier (Guernsey) LLP
Redwood House
St Julian's Avenue
St Peter Port
Guernsey GY1 1WA

Auditors
BDO LLP
55 Baker Street
London W1U 7EU

Registrar
Computershare Investor Services (Guernsey) Limited
13 Castle Street
St Helier
Jersey JE1 1ES

FSC® www.fsc.org MIX Paper from responsible sources FSC® C022913

Designed and produced by **lyonsbennett.com**

This report is printed on Revive 100 Offset made from FSC® recycled certified post-consumer waste pulp. Printed sustainably in the UK by Pureprint, a CarbonNeutral® company with FSC® chain of custody and an ISO 14001 certified environmental management system recycling over 100% of all dry waste.

Foresight

FOR A SMARTER FUTURE

Foresight Group Holdings Limited
Ground Floor, Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 2HT

www.foresightgroup.eu